LWBC
LAND AND WATER
BRITISH COLUMBIA INC.

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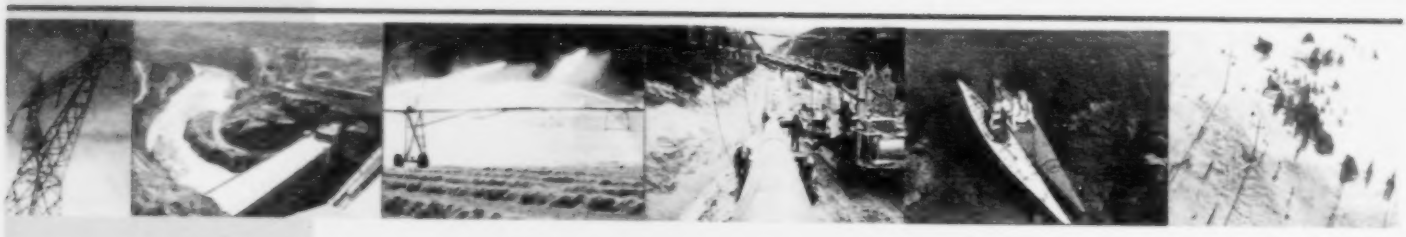

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Managing Crown land and water resources
to stimulate economic development
through balanced decision making

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JUN 29 2005

MESSAGE FROM THE CHAIR TO THE MINISTER RESPONSIBLE

I am pleased to introduce the Annual Report for Land and Water BC Inc. (LWBC) for 2004/05. The Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of LWBC for the twelve months ended March 31, 2005. All significant decisions, events and identified risks, as of June 10, 2005, have been considered in preparing the report. The information presented is prepared in accordance with the BC Reporting Principles and represents a comprehensive picture of our actual performance in relation to our service plan.

Service Plan Changes from Last Year

LWBC's focus was sharp in 2004/05. We faced challenges that required decisive action, and stayed focused on our mission and goals. As a corporation, LWBC is continually looking for ways to better execute our business model, extend our record of growth and enhance our response to our customers' needs. In 2004/05 we began implementation of a four-year, $6.3 million Information Management/Technology strategy which includes a capital upgrade to our computer systems to improve capacity, customer service and efficiency. To better meet the needs and requirements of our key sectors, accounts and projects, the responsibilities of the former Development and Marketing Division were realigned into the Strategic Initiatives Division and the Land and Water Operations Division. We also created a new All Seasons Resorts Division to implement the key initiatives of the BC Resort Strategy and Action Plan. And we continued to enhance awareness of our roles by increasing our internal and external communication functions.

Overview of Performance

Important achievements moved us closer toward our objectives in the past year. We made progress in financial performance, generating $139 million in gross proceeds from land sales, tenure management and water licensing activity, exceeding our target by $17.9 million while meeting our approved expenditure of $39.4 million, maintaining environmental standards, and respecting the interests of First Nations. This resulted in a transfer (dividend) of $99.1 million to the Province (net of project development costs and net revenue earned by LWBC), again exceeding our target by $14.7 million. Focusing on strategic key sectors and key clients contributed to our success. Growth in the mining and oil and gas sectors enabled us to increase our volume of tenures in the energy sector to record levels. We also negotiated terms for significant economic investment and diversification projects, including a world-class all-season resort at Mount MacKenzie in Revelstoke, and crushed aggregate super quarry near Port Alberni.

We were equipped to meet a number of challenges in 2004/05 including legal decisions involving First Nations and resulting consultation issues; request for a new funding model; and getting public support for all-season resorts. And looking ahead to future challenges, growth and diversification, we led the Drought Management Initiative, providing $1.2 million in grants to 105 local water suppliers in communities across BC to prepare drought and water conservation plans and education materials, and worked closely with the Ministry of Energy and Mines in the development of a wind power policy to promote green energy.

2004/05 was a year of progress, building upon the success of previous years. We met or exceeded all twelve performance measures for the year. I am especially proud of our customer satisfaction efforts. Our annual customer satisfaction survey measuring satisfaction among large and small customers showed that 80% of respondents were neutral, satisfied or very satisfied with LWBC. That, I believe, is a tribute to the employees who serve our customers every day.

Risks and Uncertainties

The ongoing success of the corporation is linked to and directly impacted by a number of factors including:

- First Nation consultations and the on-going Treaty process
- The ability to direct resources to the Crown land inventory and property development
- Implementing an effective marketing strategy
- Allaying public concerns regarding access to secure title to Crown resources
- Market volatility and the resulting impact to land values
- Ensuring compliance regarding the usage of Crown land and water resources
- Maintaining the internal capacity to meet expectations

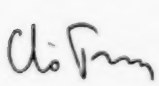
To mitigate these risks and uncertainties, the corporation formalized a risk management strategy including: developing a Business Continuity Plan to ensure the continuation of critical services should the corporation face a significant disruption to its operations; participating in annual internal audits conducted by the Office of the Auditor General; enhancing coordination and communication with all levels of government, First Nations and key sectors; and developing plans to proactively address key risks that could impact the achievement of our business objectives.

Outlook – Continued Growth

While we are proud of our past accomplishments, we are equally excited about LWBC's future. Over the coming year, LWBC will continue to develop partnerships with local governments and First Nations to ensure that access to, and development of, Crown land helps grow their communities and diversify the economic base. We will continue to monitor and improve customer satisfaction and the consultation process with First Nations. These are areas where we have made significant progress towards achieving continuous improvement in the services we provide. With our firm commitment to evaluating our strengths and weaknesses, and being flexible enough to respond to change quickly and as required, I believe we are in a very strong position for future gains.

Finally, 2004/05 was a year for celebrating the remarkable achievements of our employees. The accomplishments reported in this Annual Report are the result of the extraordinary efforts of a talented team of devoted and competent employees around the province. As part of a year-long celebration, recognition awards were given to staff for their hard work and dedication above and beyond the call of duty.

On behalf of the Board and executive at LWBC, I would like to thank all of the individuals who have contributed to the development of this Annual Report.



Chris Trumpy
Chair of the Board

MESSAGE FROM THE PRESIDENT AND CEO

It is my pleasure to present the Annual Report of Land and Water BC Inc. (LWBC) for the 2004/05 fiscal year. This past year has been another productive and eventful year for the corporation. With an increasing interest in the activities on Crown land and the infrastructure demands surrounding the 2010 Winter Olympics and Paralympics, it has never been more important for LWBC to contribute to the development of a strong and vibrant provincial economy. LWBC's 2004/05 Annual Report demonstrates how the corporation holds itself accountable while continuing to make balanced economic and environmentally sound decisions for BC's most valuable assets.

In order to respond to the changing needs and demand of our stakeholders, LWBC staff focused much of their energy on developing ongoing initiatives to improve client services. Some highlights of this year's performance include:

- creating a new All Seasons Resorts Division to implement the key initiatives of the BC Resort Strategy and Action Plan to promote investment in new resort development and expansion;
- exceeding our target of 90% by processing 93% of new land tenures and 94% of water licence applications in under 140 days;
- issuing approximately 5,300 new tenures and 900 water licences;
- advancing aquaculture and business opportunities for First Nations by issuing 38 new shellfish tenures, 13 of them to First Nations;
- increasing commercial recreation compliance with the *Land Act* and policy from 40% to 70% , with over 750 companies now in compliance;
- building partnerships by completing approximately 100 tenure agreements with Duke Energy; and
- attracting $419 million in private sector capital investment, 1,683 permanent jobs and 6,467 construction jobs.

Further details on our achievements during the year are set out in the following pages under the headings "Report on Performance" and "Financial Report".

I am proud of the dedication and expertise LWBC staff brings to ensure that the corporation continues to achieve its goals and reach its performance targets, and I am confident that we will continue to meet the business challenges that lie ahead during 2005/2006.

Bill Valentine
President and Chief Executive Officer

ORGANIZATION OVERVIEW

Vision

An innovative and responsive organization that provides the land and water resources necessary for the continued economic development of the Province.

Note: The vision statement at the top of this page is the version drafted in the current 2005/06 Service Plan, which reflects a refinement of the vision documented in the 2004/05 Service Plan.

Mission

LWBC's mission is to facilitate economic development in the Province of British Columbia by:

- encouraging investment in, and sustainable use of, the Province's land and water resources;
- providing timely and continued access to land and water resources through tenures, licences and land sales; and
- promoting responsible economic development and revenue generation.

Note: This mission statement is the version drafted in the current 2005/06 Service Plan, which represents a more explicit definition.

Mandate

LWBC's mandate is to:

- support economic diversification of rural British Columbia;
- administer and license Crown land (except for mining activities and forest tenures such as tree farm licences) and water resources;
- develop a proactive approach to land-based investment opportunities;
- reduce decision times and streamline business processes;
- monitor permitted use of Crown land and water resources;
- protect public safety (regulating approximately 2,000 licensed dams under the Dam Safety Audit Program); and
- set aside Crown land for conservation/public use (eg, free crown grants and *Land Act* reserves)

Note: This mandate description is the version drafted in the current 2005/06 Service Plan, demonstrating how LWBC balances economic and environmentally sound decisions for BC's land and water resources.

Values

LWBC's values are:

- **Integrity**: conducting business with our customers and staff in an environment that is honest, transparent, and professional
- **Accountability**: delivering on our commitments: Focusing on outcomes by taking responsibility for measuring and monitoring our performance against commitments and targets
- **Excellent client service**: Providing professional and responsive client service at all times; continuously improving our service so that clients will realize direct and tangible benefits
- **Innovative solutions**: Pursuing innovative approaches to promote investor confidence and long-term business success
- **Efficiency**: Continuously improving our operational efficiency and cost-effectiveness

Organization's Legal Structure and Primary Business

LWBC's corporate status is governed by the *Business Corporations Act* of British Columbia. Further information is contained in the **Corporate Governance** section.

The Shareholder is the Province of British Columbia with the Minister of Sustainable Resource Management holding the sole issued share on behalf of the Province. LWBC's board of directors consists of eight members, all of whom are senior government officials or experienced executives from other public sector bodies. LWBC has been delegated statutory power by the Minister of Sustainable Resource Management under a Delegation Agreement and by overarching provincial legislation and policy. LWBC is also governed by the following acts and agreements:

- *Budget Transparency and Accountability Act*
- *Land Act*
- *Water Act*
- *Business Corporations Act*
- *Financial Administration Act*
- *Financial Information Act*
- *Public Service Act*
- *Freedom of Information and Protection of Privacy Act*
- *Generally Accepted Accounting Principles*
- *University Endowment Land Act*
- *Taxation (Rural Area) Act*
- *Local Government Act*
- *Ministry of Lands, Parks and Housing Act*
- *Service Level Agreements between LWBC and various agencies*
- *First Nations Consultation Guidelines*

LWBC's primary business is the responsible development, marketing, selling and tenuring of Crown land to commercial, industrial, municipal and residential customers; the management of water licences for the use of water; and the collection of licence fees from water users.

Services to the Public and Overview of Major Programs

LWBC's operating structure consists of four operating divisions and one support division:

Land and Water Operations Division

- Manages 32,000 active tenures on Crown land, over 10,000 *Land Act* reserves required for government purposes, and 43,000 water licences.
- Facilitates land sales and processes several thousand applications for new tenures and renewals, and new water licences and amendments annually.

Strategic Initiatives Division

- Identifies and responds to significant business opportunities while leveraging new employment and large-scale investment through a pro-active approach to land and water based investment opportunities.

All Seasons Resort Division

- Supports and facilitates the growth and expansion of the resort sector in the province. Supports the Minister of State for Resort Development by leading the implementation of a number of key initiatives included in the BC Resort Strategy and Action Plan.

Business Improvement Division (Temporary)

- Initiates, supports, coordinates, and accomplishes the range of strategies and activities dedicated to transforming the corporation toward its new business model, which is based on the principle of leveraging investment in British Columbia's land and water assets.
- Reviews existing business processes for land and water to discover process efficiencies.
- Designs business processes to meet LWBC new business model.
- Provides the appropriate training to implement the new business model.
- Provides the overall transition management to implement the new business model.

Note: The Business Improvement Division completed the transition to the new business model and wound down at the end of fiscal 2004/05.

Business Programs and Policy Division

- Provides policy advice on operational initiatives, economic development, and aboriginal relations.
- Ensures an orderly and reliable system of managing and allocating water rights in B.C.
- Contains the Office of the Comptroller of Water Rights.
- Is responsible for the dam safety program.
- Works in conjunction with other Ministries responsible for setting policies, e.g. Energy and Mines, Small Business and Economic Development, Sustainable Resource Management, Forests, Water, Land and Air Protection, etc.

Corporate Services Division

- Provides services to manage the corporation's revenues, expenditures, administration of facilities, freedom of information, records management, information management/ technology, communications, service planning, economic analysis, support to the Board of Directors, corporate legal counsel, and strategic human resources management.

Note: For an overview of the current organizational structure and FTE numbers, see Appendix 2.

The corporation's headquarters is located in Victoria, BC. To support LWBC's value of excellent client service, the corporation maintains four regional service centres and five field offices throughout the province. These offices have been designed to facilitate the efficient and responsive delivery of services. The corporation has a staff complement of approximately 320 employees operating out of Prince George, Fort St. John, Smithers, Williams Lake, Kamloops, Cranbrook, Penticton, Surrey, and Nanaimo. For additional information, please refer to the **Contact Information** section.

LWBC serves businesses and individuals in a wide variety of sectors.

Customers of LWBC range from major industrial users of Crown land and water to private residential users. Major land and water tenure clients include hydroelectric power corporations, telecommunications corporations, oil and gas pipelines and resorts.

Key sectors for economic development and revenue generation include:

- Energy Production
- Agriculture
- Utility
- Commercial
- Industrial
- Quarrying
- Residential
- Alpine Ski
- Commercial Recreation
- Communication
- Aquaculture
- Waterpower
- Institutional
- Transportation

Approximately 70% of land tenure revenue comes from five sectors:

- Energy production;
- Agriculture;
- Utility;
- Commercial; and
- Industrial uses.

The sector which purchases the largest area of land is agriculture; however, this is typically low value land.

The higher value land will tend to be purchased for industrial and commercial uses.

In terms of economic impact, the sectors which rank the highest are industrial and commercial development.

The sectors that rank the lowest are commercial recreation (intensive and extensive) and agriculture.

- *Source*: "LWBC Sector Analysis", ThinkingStrategy: New Paradigms Inc.

The sector which uses the largest volume of water is major and minor water power production. Government receives approximately $250-300 million annually in water rentals. Of that total, approximately $6 million are from water non-power and $3 million from minor power. Ninety nine percent of the water rentals are from the five major water power producers.

Major water power revenue flows directly to the Government while non-power revenues and a percentage of minor power water revenues are collected and retained by LWBC.

Location of Operations

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Principal Markets, Partners and Clients Served (Sectors)

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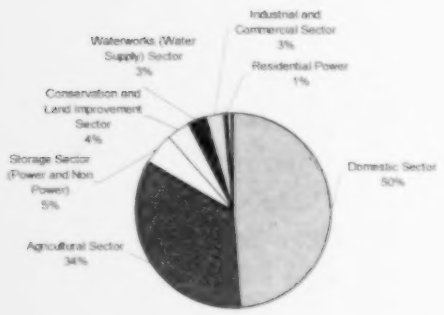
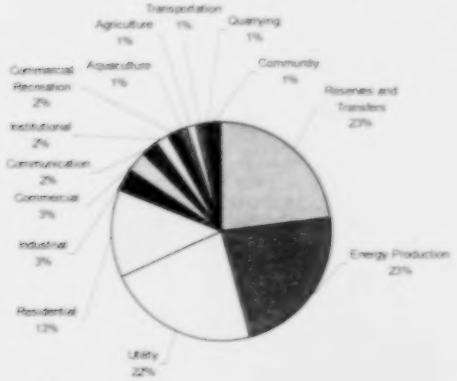
The following charts illustrate LWBC's current land tenure client base (32,342 tenures covering 422,850 hectares for exclusive use) and water user client base (43,392 water licences for 50,195 water licensed uses). In addition, LWBC also manages 12,038 *Land Act* reserves and transfers covering 9.7 million hectares; and regulates approximately 2,000 dams, 175 private water utilities and 120 water user communities.

Current LWBC Water Licensed Uses


Industrial and Commercial Sector 3%
Waterworks (Water Supply) Sector 3%
Residential Power 1%
Conservation and Land Improvement Sector 4%
Storage Sector (Power and Non Power) 5%
Domestic Sector 50%
Agricultural Sector 34%

Current LWBC Tenure Portfolio

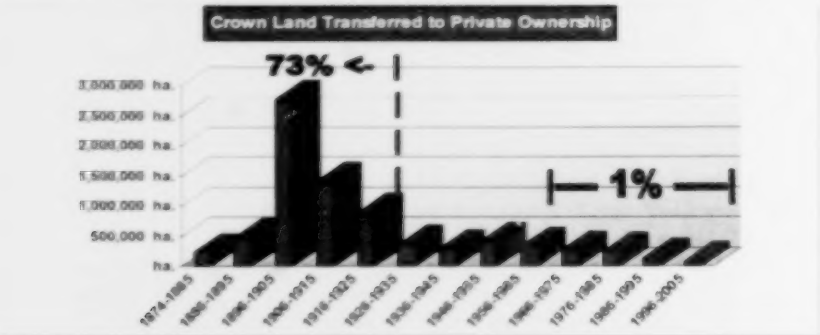


Data: Tenure and water licence portfolio as of April 1, 2005 derived from the WRIS and Tantalis databases.

Fast Fact

Of all the private land in the province (7.8%), 73% was transferred to private ownership prior to 1925 and 1% in the last 50 years.

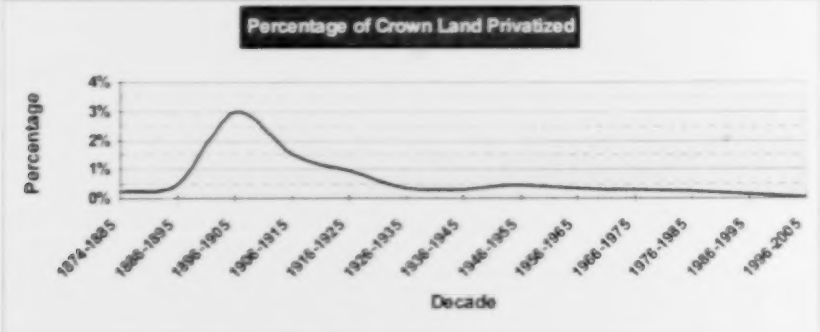
Data: Values derived from Tantalis



Fast Fact

Based on the percentages of Crown land sold over the past 20 years, it would take another 100 years for 1% (868,984 ha) to be sold.

Data: Values derived from Tantalis



Assessment of Organization's Position at Year-End

The following sections provides an brief overall assessment of the corporation. The Management Discussion and Analysis section and Appendix 1 contain additional information.

Land Sales and Community Development

The value of Crown land sales for 2004/05 totalled $71.2 million, lower than target due to one major land deal (Bridgepoint) which developed into a pre-paid lease instead of a sale. The estimated economic impacts associated with 2004/05 Crown land sales include $419 million in private sector capital investment and creation of 1,683 permanent jobs and 6,467 construction jobs.

Source: Investment and job impacts were derived from an economic model developed by an economist and reviewed by BC Stats.

Some examples of land sales include:

- A sale of 126 hectares of land for $11 million to the BC Transportation Financing Authority to facilitate gravel extraction for the Highways 10 and 15 upgrades.
- A 2.25 hectare parcel to the Greater Vancouver Transportation Authority for $8.6 million for the construction of the Bridgeport RAV Line station.

LWBC supported community development by providing 16 Free Crown Grants valued at approximately $3.4 million and processed hundreds of nominal rent tenures (NRT). These Free Crown Grants and NRT's included land in communities such as:

- Prince George for preserving a historical site
- Lumby for a seniors' housing complex
- Terrace for a park and sports complex
- Nanaimo (Gabriola Island) for a nature reserve
- Invermere and Malcolm Island for a sewage plant
- Surrey for a park and playing field
- Port McNeill for a park and additional parking area for ferry traffic
- Campbell River for the Haig Brown Museum heritage site
- Saanich for a community garden

LWBC negotiated a land transfer to support construction of a new $2 million **"Gateway to BC"** visitors' centre in Golden. This new provincial Visitor Information Centre will welcome visitors, and guide them to world-class destinations in the Kootenays/Rockies region and throughout the province.

Significant Performance and Financial Outcomes

Financial outcomes are presented in detailed in the Management Discussion and Analysis section. Below is a brief summary of revenue and expenditures; significant outputs from tenure activity; progress on application processing efficiency; and customer service results from an independent survey.

2004/05 LWBC Revenue/Expenditures

- The transfer to the province was $99.1 million, exceeding the budgeted transfer of $84.4 million by 17%.
- Total gross proceeds generated from land sales, tenure management and water licensing activity was $139 million exceeding the restated gross proceeds budget of $121.2 million by 15%.
- Met authorized expenditure limit of $39.4 million.

Tenure Activity

- 1197 new tenures were issued
- 2686 new Oil and Gas tenures were issued
- 1473 replacement land tenure were issued
- 305 new water licences were issued from applications
- 592 new water licences were issued from amendments

Source: Finance Administration Branch and Tantalis and WRIS information systems.

The number of investigative permits approved for wind power was 64 in the northern region of the province (8 in Williams Lake, 27 in Smithers and 31 in Fort St. John). This activity builds on LWBC's continued support to the alternative energy sector, in particular in the more remote regions of the province. Working with the Ministry of Energy and Mines, LWBC also developed an operational policy for wind power on Crown land.

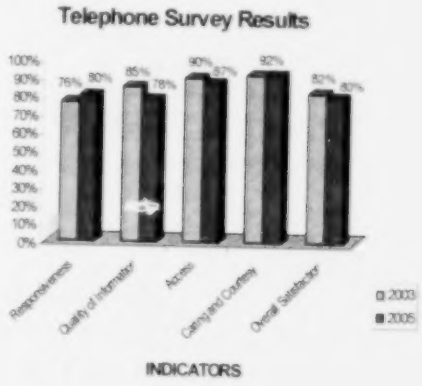
Improved Processing Efficiency

- Approximately 93% of new land tenure applications and 94% of water licence applications were processed in under 140 days in 2004/05, exceeding the target of 90%.
- Average processing time or target turn-around time for a land application is now 99 days – down from the 01/02 baseline of greater than 400 days.
- Average processing time or target turn-around time for a water licence application is now 94 days – down from the 01/02 baseline of more than 5 years.

Improved Customer Satisfaction

LWBC's goal of satisfied clients and customers was met by the high level of satisfaction expressed by land tenure holders, water licence holders and the business and commercial development community in an annual Customer Satisfaction Survey of approximately 600 respondents conducted in January-February 2005.

The survey results indicated that 80% of customers are satisfied with LWBC's overall performance during the past year. The following chart illustrates the percentages of customers who were "very satisfied", "satisfied" or "neutral" in terms of four key performance indicators: responsiveness, quality of information, access, and caring and courtesy.



Source: "Key Client Interviews and Customer Telephone Survey", Forum Consulting Group Ltd., May 2005.

Key Developments during the Year

Highlights for 2004/05:

- Established the All Seasons Resort Division to support and stimulate development of resorts in rural British Columbia – a "green" resource industry.
- Led the Provincial Drought Initiative by providing $1.2 million in grants to 105 local water suppliers in communities throughout BC to prepare drought and water conservation plans and education materials. More information is available at our Provincial Drought Information website: http://www.lwbc.bc.ca/03water/overview/drought/index.html.
- Supported the Provincial Spirit of 2010 Tourism Strategy and 2010 Olympic Games by dedicating staff resources to facilitate coordination and decision-making for Crown land tenuring for 2010 venues, First Nations consultations and Sea-to-Sky Highway land exchanges.
- Sold a 14-hectare portion of Crown land in Surrey for $5.75 million to help relocate the RCMP "E" Division headquarters to Surrey. The newly built headquarters facility will form one of the largest policing contingents in the country and accommodate 1800 RCMP employees.

Examples of economic development projects that have produced substantial returns to the province:

- **Eagle Rock Super Quarry** – Negotiations were completed on a long-term lease for a 710 million metric tonne aggregate quarry near Port Alberni. Royalties are forecast to be $180 million over the next 50 years. Both the Hupacasath and Ucluelet First Nations are equity partners with this joint venture project, which is expected to generate $100 million in capital investment and approximately 100 full-time jobs.
- **Mount MacKenzie Resort in Revelstoke** – A new world-class all-season resort Master Development Agreement was approved for Mount MacKenzie which will see an initial private sector capital investment of $270 million with 1,300 construction jobs and 1,400 permanent jobs over 10 years.
- **Pacific Rim Independent Power Project** (IPP) – A land tenure was offered to Pacific Rim Power Corp for a 22.2 megawatt independent water power project located at Zeballos Lake, which translated into approximately $44 million in investment.

Note: The capital investment and employment numbers that are identified are derived from two types of Economic Source data: using a co-efficient from an economic model or client supplied information.

Significant Market and Industry Issues

Factors that can influence LWBC's performance include:

Economic Development:
In many regions of the province, Crown land presents a key opportunity for local economic diversification and development. LWBC recognizes that it has an important role to play in supporting responsible growth of the economy in light of a construction boom and buoyant real estate market; and many of its business priorities are aimed at improving its ability to respond to local economic development needs across the province.

Environmental Sustainability:
Before making Crown land available for economic activity, a key responsibility of LWBC is to ensure that the environmental implications are fully reviewed (e.g., environmental concerns with all-season resorts). LWBC refers all relevant tenure applications to the Ministry of Water, Land and Air Protection (WLAP) and the Environmental Assessment Office for their technical assessment of impacts on wildlife, water quality and other environmental implications.

First Nations:
LWBC has the responsibility to ensure that the province's obligations to First Nations are met in determining the disposition of Crown lands. LWBC works closely with the Treaty Negotiation Office to ensure effective coordination in First Nations accommodation agreements and recent outcomes of legal challenges by First Nations and the resulting consultation issues.

Community Needs:
LWBC has an important role to play in supporting responsible growth and is developing its capacity to respond more effectively and develop community-level strategies to local community issues associated with land sales, water shortages, resort development, and disposition of Crown land.

Major Risks and Uncertainties

Major risks and uncertainties include, without limitation:

- Market volatility and the resulting impact to land values.
- Employment and general economic conditions, international markets and currency fluctuations.
- Fulfilling duties of consultation and accommodation owed to First Nations - the legal requirements for meeting these duties are evolving and the Province and First Nations do not always share the same views on the interpretation and application of existing case law requirement. As a result, there is a potential for LWBC land and tenure decisions to be challenged by First Nations through legal and/or direct action.
- The ability to direct resources to inventory and property development.
- Implementing an effective marketing strategy.
- Allaying public concerns regarding access to secure title to Crown resources.
- Ensuring compliance regarding the usage of Crown land and water resources (e.g. all-season resorts and fish farms).
- Maintaining the internal capacity to meet expectations.

Therefore, actual results and outcomes may materially differ from what we express or forecast.

Future Outlook

Over the coming year, LWBC will continue to:

- Develop partnerships with local governments to ensure that access to, and development of, Crown land and water resources helps grow their communities and diversify their economic base.
- Address enhanced First Nation consultation and accommodation obligations.
- Ensure that administrative functions and turn-around times are business focussed, timely and streamlined.
- Work with our key clients to ensure access to Crown land and water is maintained yet balanced with environmental considerations.
- Maintain/improve client satisfaction.
- Improve integration with other agencies to reduce overlaps and clarify roles.
- Monitor and manage water uses.
- Continue to promote awareness for water conservation through the Drought Management Initiative.

REPORT ON PERFORMANCE

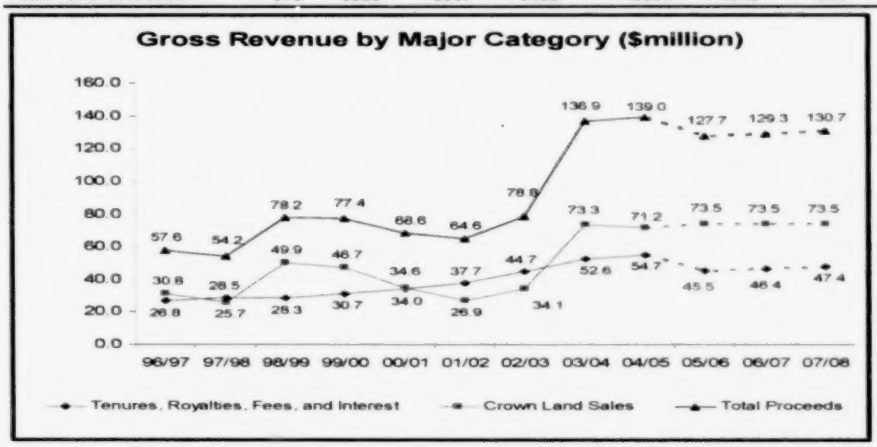
Four Years of Progress

In 2001 LWBC was tasked with a mandate to administer land sales, land and water tenures; and manage provincial water resources and monitor dam safety. Over the past four years, LWBC has acted on this commitment and the results have been significant:

- Revenue generated by LWBC has meant an 87% increase in the amount of money transferred to the province, from $157 million for 1997-2001 to $293 million for 2001-2005.
- New sector development initiatives have meant an increase in the tenures issued. For example, oil and gas tenures have seen a 298% increase from the previous four-year period.
- Time required to process applications has been reduced drastically. Prior to 2001, there was a five year backlog in processing time for some applications. LWBC has reduced the land application process time to 140 days.
- There has been a 121% increase in the number of replacement tenures issued. Again, processing faster and dealing with the issue has meant more general revenue for government.

Key Operating Data for Past 8 Years: Land Tenures and Water Licences Issued

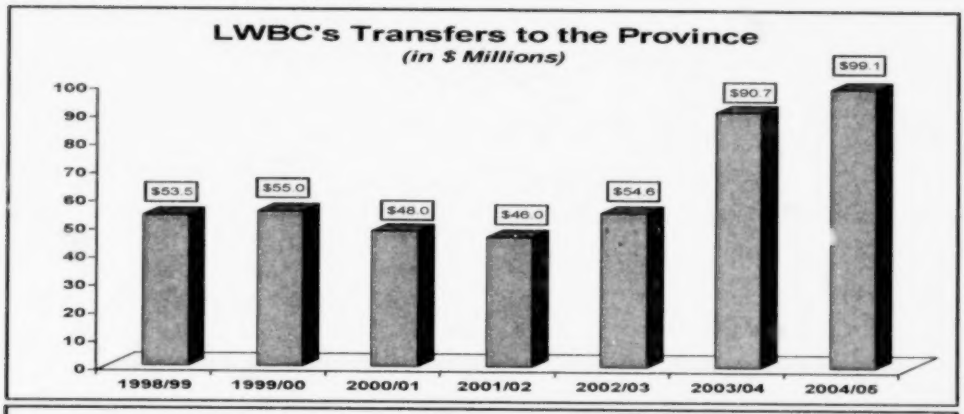
Category	1997/98	1998/99	1999/2000	2000/01	Sub-Total 1997 - 2001	2001/02	2002/03	2003/04	2004/05	Sub-Total 2001 - 2005	% Change
New Land Tenures Issued	n/a	1446	1077	992	**3515**	1506	1529	1206	**1196**	**5437**	**55%**
New Oil & Gas Tenures Issued	n/a	690	972	417	**2079**	710	2381	2502	**2686**	**8279**	**298%**
Replacement Tenures Issued	n/a	886	838	1071	**2795**	1364	2020	1331	**1473**	**6188**	**121%**
New Water Licences Issued from Applications	373	427	339	441	**1580**	822	851	504	**305**	**2482**	**57%**
New Water Licences Issued from Amendments	503	480	631	481	**2095**	441	509	715	**592**	**2257**	**8%**
Total Tenures Issued	**876**	**3929**	**3857**	**3402**	**12064**	**4843**	**7290**	**6258**	**6252**	**24643**	**104%**



Comparing 2000/01 to 2004/05

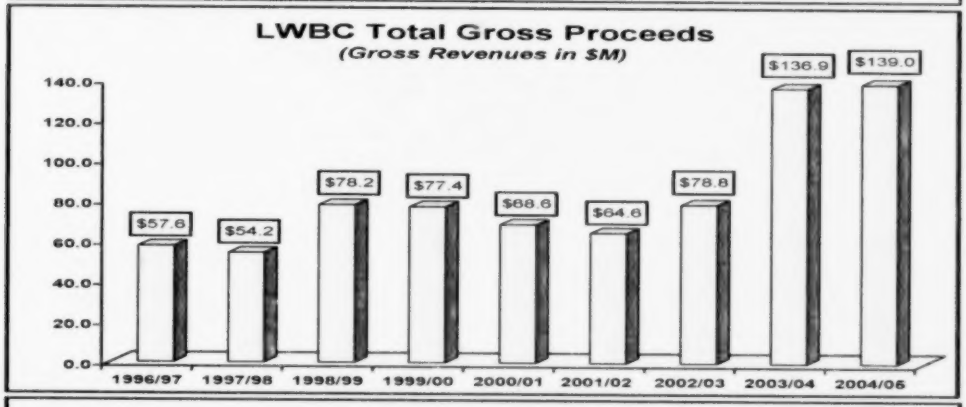
- **104% increase in total tenures**
- **55% increase in new land tenures**
- **121% increase in replacement tenures**
- **298% increase in oil and gas tenures**
- **57% increase in new water licences issued from applications**
- **8% increase in water licences issued from amendments**
- **102% increase in total gross proceeds**

Data: Historical statistics from Tantalis, WRIS and Financial Administration Branch.



Increase in Transfers (Dividends) to the Province

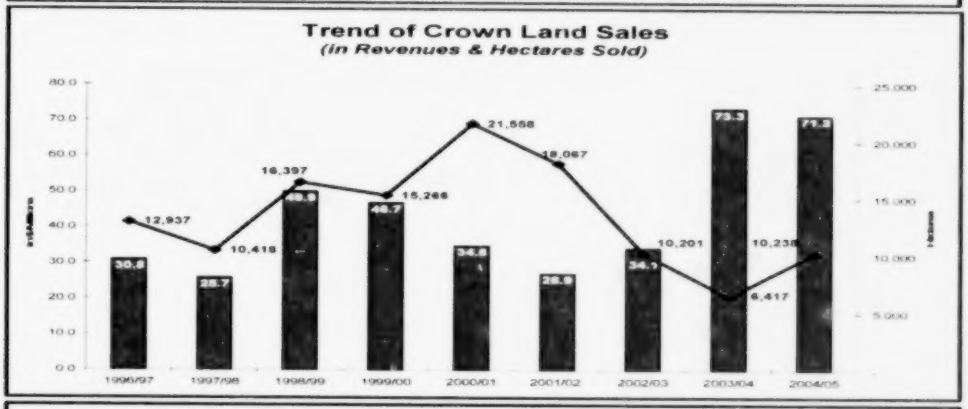
- **106% increase in transfers to the province since 2000/01**
  - Increase from $48M to $99.1M



Increase in Gross Proceeds

- **102% revenue growth since 2000/01**
  - Increase from $68.6M to $139.0M
- **Includes water licensing revenue from non-power and minor power since 2003/04**

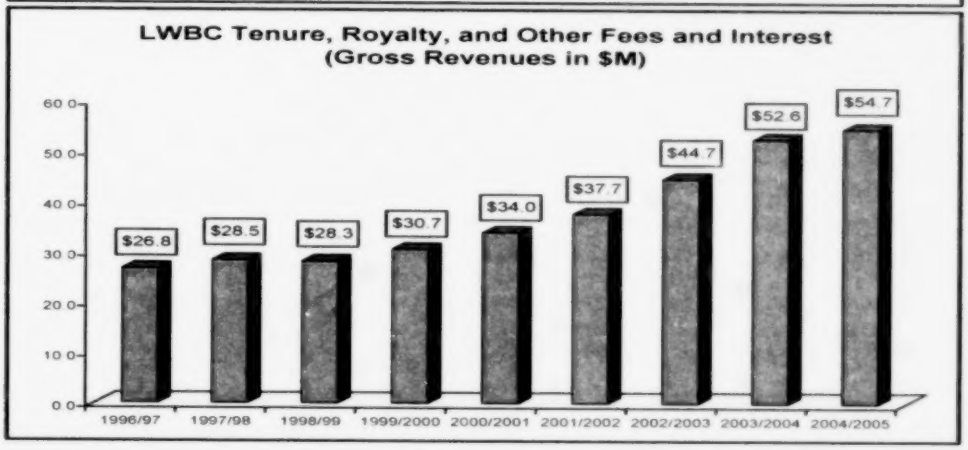
Note: Gross proceeds include gross revenue from land sales, tenure management and water licensing.



Increase in Land Sales Revenue – Area (Ha) Sold Stable

- **106% revenue growth since 2000/01**
  - Increase from $34.6M to $71.2M
- **Total area (ha) involved in land sales stabilizing**

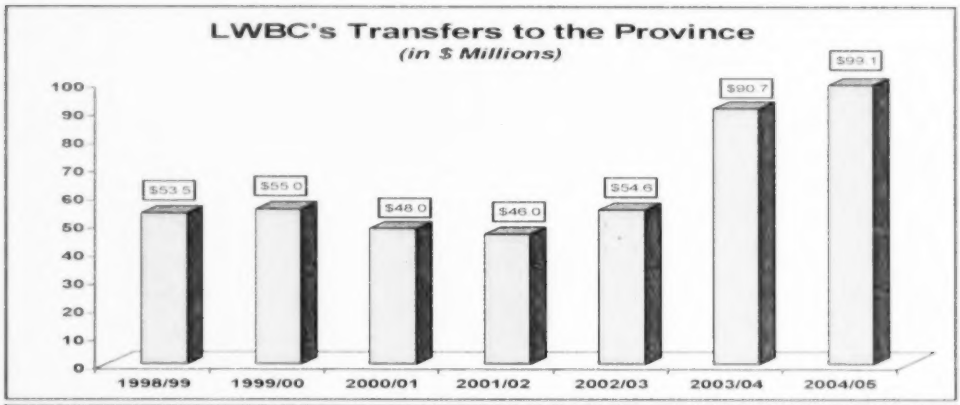
Note: Excludes revenue from BCTFA land sales and land area (ha) from free crown grants.



Revenue Increases – Tenures, Royalties & Other

- **61% revenue growth since 2000/01**
  - Increase from $34M to $54.7M

Data: Information from charts is derived from Tantalis and Financial Administration Branch



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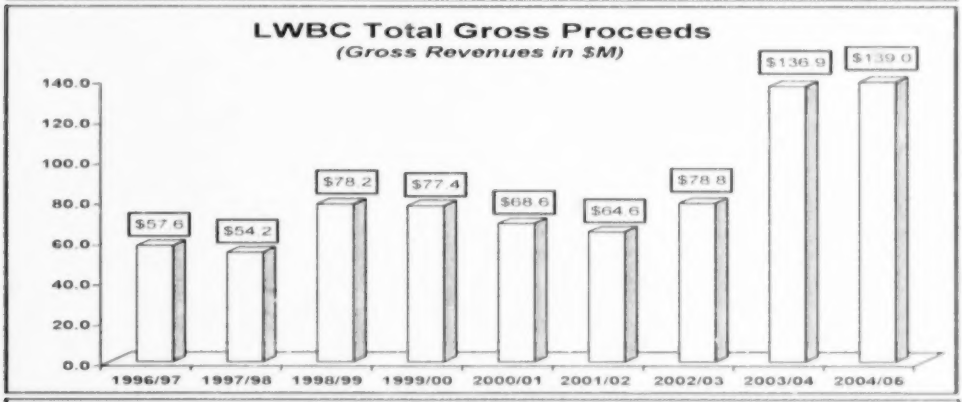

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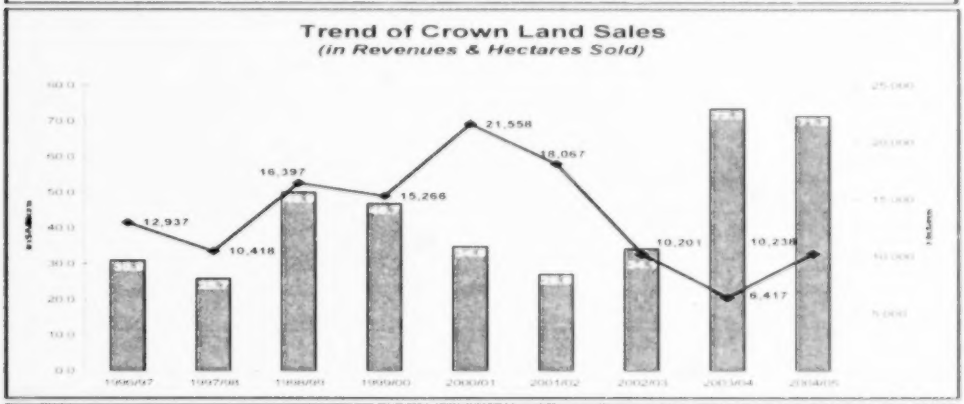

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Data: Information from charts is derived from Tantalis and Financial Administration Branch

↑ - Above Target
↓ - Below Target
↔ - Meets Target

Major Achievements for Year Ended March 31, 2005

Note: See Appendix 1 for a more detailed performance report.

STRATEGIC GOAL	OBJECTIVES	MEASURES (WITH BASELINE)	04/05 RESULT	TARGET	ACTUAL & SOURCE
Goal 1: Increased investment and economic performance	Stimulate investment and economic activity	Gross revenue of Crown land sales	↔	$73.5 million	$71.2 million (*Note*: Bridgepoint project developed into a pre-paid 37-year lease)
	Ensure sufficient land inventory so economic development is not constrained	Gross revenue from tenures and royalties	↑	$38 million	$54.4 million *Source*: Finance Administration Branch (FAB)
Goal 2: Timely and effective permitting and licensing	Optimize responsiveness, reduce application cycle time, and improve service levels	Processing Efficiency: Process land and water tenures within 140 days (Baseline: 90%)	↑	90%	94% *Source*: Tantalis
	Minimize costs for revenue collection	Reduce costs associated with revenue collection at headquarters	↔	Establish baseline	Baselines: Bad debts expense: Less than 5% of land tenure revenue; Less than 10% of water licensing revenue *Source*: FAB
Goal 3: Satisfied clients and customers	Increase client and customer satisfaction ratings	Improvement on issues identified with key accounts as measured by annual focus group sessions	↔	70% satisfaction	69 % satisfaction *Source*: Customer Survey
	Improve Systems	Customer satisfaction as measured annually for land sales (Baseline: 61%)	↑	67%	83 % *Source*: Customer Survey
		Customer satisfaction as measured annually with land tenure holders, water licence holders and the business and commercial development community (Baseline: 68%)	↑	75% (70% response rate)	80% (100% response rate) *Source*: Customer Survey
		Systems implemented to better meet business needs and improve customer responsiveness	↔	Projects designed and in construction; Baseline systems survey established	IM/IT project underway; Systems survey will be conducted as part of Customer Survey next year
		Reduce pricing disputes with key accounts	↔	Establish baseline	Baseline: 7 key account pricing disputes *Source*: BPPD
Goal 4: An internal capacity and culture that meets business needs	Align resources with business needs	Employee engagement and commitment	↔	Establish Baseline	Baseline: 72 % *Source: Employee Survey*
	Improve employee engagement and communication	Improve capability and capacity of management	↔	Develop key competencies for target positions and baseline	Competencies and baseline developed *Source*: HR Branch
		Participation rate for Employee Performance & Development Plans (EPDP)	↑	95%	In excess of 95% *Source*: HR Branch

Internal Operating Environment

Some internal operating commitments that have had a significant effect on results include:

- LWBC is committed to developing strong business policy analysis, planning, and reporting practices to enhance its ability to deliver results.
- The corporation is committed to making the best use of its expert staff by maintaining a flexible and responsive corporate culture that encourages and recognizes creative thinking and innovation, while at the same time investing in training and development.
- As we face some workplace demographic challenges - for example, the retirement of large numbers of "baby boomers" and the decrease in available, skilled workers will soon be facing us - it is critical to have a Strategic Human Resource Plan to address the resulting labour shortages and loss of corporate knowledge. To this end, the corporation has developed a multi-year Strategic HR Plan. Initiatives planned include: a succession strategy, improved recruitment and retention practices, a knowledge transfer strategy, a health and wellness program, and effective rewards and recognition program. For more information visit the LWBC Strategic Human Resource website at: http://lwbc.bc.ca/05media/reports/index.html
- LWBC will move forward with an IM/IT Strategy that will include replacing the aging and outdated water system to improve efficiencies in customer service and management reporting. The corporation donated old computers worth over four hundred thousand dollars to schools across BC.

External Economic and Industry Factors, Trends, Opportunities and Challenges

LWBC experienced a number of external factors and challenges including:

Real Estate Markets

Where local land sales opportunities existed, the corporation met market needs. Because the depth and breadth of real estate markets are closely tied to the strength of the local economies, the corporation has initiated a targeted marketing strategy, a long term sales approach, and an interim inventory tracking system to ensure we optimize our capacity for land sales.

Trends in Gross Revenue (Gross Proceeds)

Gross proceeds and transfers to the Province have increased over time, and have grown consistently since the establishment of LWBC (2001/02). The corporation expects this trend to continue. Tenure revenues, royalties and other revenues have increased consistently over time. Crown land sales revenue is considerably more volatile but has also shown an increase. This increase is due largely to higher land values; the amount of land actually sold is down considerably (see Trend of Crown Land Sales on page 11). This revenue stream is typically contingent on the inventory of available Crown land, the market value of land, competing uses, environmental issues, First Nations accommodation, and the rationale for sale versus lease of Crown land.

Investor demand

LWBC has been vigilant in ensuring that its property portfolio closely reflected investor demand. This has optimized annual sales revenues by aligning land inventory with local market requirements.

Significant Risks and Capacity

The corporation operates a robust risk management system and deploys the necessary skills for assessing and managing risk effectively. The policies, structures and procedures used to manage the risks at LWBC are set out in a Risk Policy Statement. To increase its capacity to meet customer needs, the corporation has invested in information management systems, streamlined and integrated account receivable systems, and improved the access to land and water application information on its website.

Our risk management practices and priorities:

- Development of risk assessment guidelines for the tenure application process reduced inconsistency in operational practices;
- Further work to mitigate the risks associated with land sales inventory;
- Further development of an enterprise-wide risk management framework;
- Management of risks associated with the "modernization" of the IT platforms (the "IM/IT" project); and
- Management of risks associated with the achievement of our financial objectives.

Our risk mitigation strategies:

- The management of risk is embedded in policy-making, planning and delivery;
- The requirement to consider risk in our business/strategic planning process;
- Risks at a divisional or process level are managed by using a risk matrix;
- The development of a corporate strategic risk matrix to help identify and prioritize risks, determine their owners, and assesses their likelihood and potential impact. This is used by the Executive to monitor risk and exposure at a strategic level;
- Staff responsible for handling new business and issue management have a delegation matrix setting out the scope of their delegation and responsibilities;
- The requirement for policy and/or treasury board submissions to include an assessment of risk;
- The Audit Committee's focus on risk, particularly as identified in audit reports; and
- Formal project management disciplines, including the regular review of project risks.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The goals of LWBC for 2004/05 are aligned with the priorities articulated in the 2005/06-2007/08 Government Strategic Plan in the following areas.

Government's Strategic Plan Goal: Safe, Healthy Communities and Sustainable Environment	LWBC Alignment
Expedite economic development by increasing certainty around access to Crown land and resources	Increasing access to Crown land and resources was facilitated by the following: • Announcing a new world-class all-season resort at Mount MacKenzie in Revelstoke resulting in $270 million in private sector capital investment. • Signing a long-term lease with Eagle Rock Quarry near Port Alberni with royalties forecast to be $180 million over the next 50 years and benefits to First Nations. • Approving 64 investigative permits for wind power in northern BC and developing a wind power policy in conjunction with Ministry of Energy and Mines. • Developing best practice Environmental Review Guidelines for evaluating applications pertaining to Crown land for agricultural purposes (a joint initiative with the Ministry of Agriculture, Food and Fisheries).
Coordinate and integrate Crown land and resource management decisions across government agencies.	A number of cross government partnerships were developed including: • Building B.C.'s capacity to manage drought through the establishment of the Drought Task Force, comprised of all orders of government, private sector and stewardship groups. The task force, using a highly collaborative approach, implemented the 32-point action plan. • Implementing the Commercial Recreation Tenure Incentive Program in partnership with the Council of Tourism Association and the Wilderness Tourism Association to deal with the back country operators that were operating without tenures.
Implement the BC Resort Strategy and Action Plan	Significant work is underway to promote resource investment opportunities including: • Announcement of the BC Resort Strategy and Action Plan and the implementation of a number of key initiatives that will promote investment in new resort development and expansion.
Ensure that First Nations' interests are considered prior to Crown land and resource decisions.	Action taken to ensure that Crown land and resource decisions are informed by First Nations interests and outcomes arising from legal decisions: • First Nations were consulted and their interests were accommodated in connection with the corporation's tenuring and sales activities.
Improve economic development opportunities for First Nations	Economic development opportunities for First Nations have been improved by: • 27 economic development projects implemented to assist First Nation with opportunities in aquaculture, oil and gas development, agriculture, independent power generation and tourism.

FINANCIAL REPORT

Management Discussion and Analysis

The following section addresses the business and policy environment and provides an overview of the financial information. The next two sections show the financial performance by core business area and the capital plan.

Business and Policy Environment

LWBC generates revenue through the marketing of Crown and agency lands, administration of Crown land tenures, and licensing of Crown water resources on behalf of the Province. The Ministry of Sustainable Resource Management (MSRM) has statutory authority for the sustainable development of the Province's land and water resources. To this end, MSRM develops high-level strategic land, water and resource plans, policies and principles. LWBC is responsible for making Crown land and water allocation decisions and managing Crown land sales within MSRM's strategic policy framework.

LWBC has been delegated statutory powers by the Minister of Sustainable Resource Management under a Delegation Agreement dated March 31, 2003 for various sections of the *Land Act*, the *Ministry of Lands, Parks and Housing Act*, and the *University Endowment Land Act*. Under the terms of the same agreement, LWBC employs the Comptroller of Water Rights and other staff as required to carry out their appointed tasks under the *Water Act*.

LWBC conducts its business under the terms of a Protocol Agreement signed with MSRM that sets out the operational and financial responsibilities of both parties in meeting the objectives of the Delegation Agreement.

LWBC funds its operations primarily through the retention of fees from revenue generated by its business activities. Authorization for retention of these fees is given by regulations made under section 14 of the *Financial Administration Act*. These regulations provide that LWBC may retain:

- 10% of net land sales revenue,
- 40% of net land tenure revenue,
- eligible project expenses from land sales and land tenures,
- 100% of non-power revenue from water licensing, and
- 11% of water rental revenues from minor power production (11.5% in 2004 and 7.5% in 2006).

The corporation transfers the balance of land related revenues to the Crown Land Special Account within the Consolidated Revenue Fund. The balance of water rental revenues from minor power production is paid to MSRM for remittance to the Consolidated Revenue Fund.

The Responsibility of Management

The consolidated financial statements of Land and Water British Columbia Inc. for the year ended March 31, 2005 are prefaced by a statement setting out management's responsibility for the integrity of those financial statements and the systems of internal control established to ensure their timely and accurate preparation.

The Responsibility of the Audit Committee

The Audit Committee is a standing committee of the Board of Directors established to assist the Board in fulfilling its financial accountability and oversight responsibilities. The committee has a mandate to oversee internal and external audit processes, recommend financial statements to the Board of Directors, review the financial and performance information provided to stakeholders, obtain assurances that the corporation's accounting systems are reliable and that prescribed internal controls are operating effectively and that the corporation is complying with all statutory and regulatory requirements, evaluate corporate risks and their management, and report to the Board of Directors on its major discussions, decisions and the discharge of its responsibilities.

The Responsibility of the Board of Directors

The role of the Board of Directors is that of a leader, overseer, steward and reporter to interpret the mandate as expressed by the Shareholder, provide strategic direction and stewardship to the executive, approve the direction of the business, and monitor and report progress of the corporation in meeting its objectives.

Results of Operations and Changes in Financial Condition

Corporate Information

Consolidated financial statements are presented for Land and Water British Columbia Inc. (LWBC) and its subsidiary company 617548 B.C. Ltd. These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and present the financial position of LWBC as at March 31, 2005 and the results of its operations and cash flows for the year then ended.

The Office of the Auditor General has conducted an audit of these consolidated financial statements and their opinion is appended to the statements.

In general, the financial statements reflect LWBC's strong financial performance in 2004/05 and show that the corporation is in a strong position to meet its mandate in the future. Extremely challenging revenue and expense targets were met and exceeded, and the corporation laid the groundwork for several key initiatives that will result in long-term tenures and revenue growth in key sectors of the economy.

Of particular note in this year's financial statements are the two prior period adjustments explained in Note 3. Accounts receivable have been restated to reflect their ownership by the Province, and deferred revenue has been restated to reflect the impact of recognizing tenure revenue in the period in which it is earned rather than when it is due.

The corporation had net income of $2.078 million for the year and transferred more than $99 million to the Province despite absorbing more than $2 million for the costs of the Drought Management Initiative, $500 thousand for the costs of operating the Water Utility Unit, $842 thousand for the costs of implementing the BC Resorts Strategy and Action plan through the All Seasons Resorts division, and $280 thousand to begin the development of an Information Management & Information Technology plan.

The corporation's cash position remains strong at the year end, and plans are underway to ensure we are adequately prepared for pressures that are anticipated including funding of project costs. While the corporation has more than $55 million in cash at the year end, most of this is required to be paid to the Province, and arose as a result of strong fourth quarter land sales. In addition the loan payable to the Province for $7.534 million was repaid in April 2005.

The notes to the financial statements contain a wealth of information on the accounting policies followed in preparing the financial information and form an integral part of the financial statements. More details on the results for 2004/05 are presented in the schedules and analysis that follow.

Schedule of Revenue Generating Activity

This schedule sets out in a very clear way all the types of revenue generated by LWBC's activity, the direct costs of generating that revenue, the fees retained by the corporation, and the recipients of the funds transferred to the Province. It was our hope to have this schedule included in the body of the audited financial statements, but we were unable to establish with clarity some elements of the prior year information. As a result the auditors declined to audit this schedule in the current year. We are hopeful that this statement will be audited in future years. (See Performance by Core Business Area).

Analysis of Revenue by Division

The divisional revenue analysis is used primarily by management to monitor progress toward targets during the year, and to assess the anticipated transfer to government. The top part of the analysis contains gross revenue figures and the bottom contains the portion retained by LWBC and the amounts transferred to the Province.

This analysis highlights that LWBC met or exceeded virtually all of its revenue targets for the 2004/05 fiscal year, and exceeded its budgeted transfer to the Province by more than $14 million. (See Performance by Core Business Area).

Summary of Expense Results

LWBC's operating expense budget for the 2004/05 fiscal year was stated in the Service Plan as $31.025 million. In addition, project costs of $4.410 million were also planned for total budgeted spending of $35.435 million. (See Comparison of Revenues and Expenditures table).

Project costs vary with the level of sales and tenure activity, and since the revenue generated from those activities exceeded expectations, it is not surprising that project costs were also higher than budget. These costs are recovered from the gross proceeds prior to the net remittance to the Province.

The corporation agreed to fund the costs of the Water Utilities Unit of $500 thousand in fiscal 2004/05 pending further decisions by central government planning agencies on the funding for this activity in the future.

The Board of Directors approved expenses of up to $3 million to fund implementation of the Drought Management Initiative in 2004/05. $2 million was planned for grants to local water suppliers in communities throughout the Province to prepare drought and water conservation plans and education materials. $1.215 million was expended for this purpose during the year, and a further $.94 million was incurred to cover operating expenses of the program for a total cost of $2.152 million.

In November of 2004, the LWBC Board of Directors approved implementation of an Information Management and Information Technology Strategic Plan (IM/IT). Current year costs of the IM/IT were minimal at $280 thousand representing consulting services, travel costs, and amortization of desktop computers that were refreshed during the year.

In September of 2004, the LWBC Board of Directors approved expenses of up to $1.080 million to implement the All Seasons Resorts Division and to fund its work in meeting the goals and objectives of the Province's BC Resorts Strategy and Action Plan. Delays in getting the program fully staffed and in obtaining some planned consulting services led to an under-expenditure of $238 thousand.

In summary, the corporation had approved funding from these sources of $39.469 million and actually incurred $39.410 million leaving it under budget by $59 thousand or 0.15%.

Capital Report

This report contains two schedules, the first showing details of the corporation's capitalized assets and accumulated amortization, and the second showing capital acquisitions for the year and the amortization for each asset class.

Both reports show assets compared to budget for the current and prior years. A new process has been developed to more closely monitor the setting of capital budgets and approval of capital expenses throughout the corporation. We expect that in future years our acquisitions will more closely follow budgeted targets and that the corporation will be diligent in ensuring it continues to have the capital capacity needed to fulfill its mandate. (See Capital Report).

The following table provides a summary comparison of the corporation's financial performance compared to 2002/03 and 2003/04 actual results and the 2004/05 budget.

Comparison of Actual Revenues and Expenditures to Budgeted Revenues and Expenditures

Category ($ in 000's)	Actual 2002/03	Actual 2003/04	Budget 2004/05 *(re-stated)*	Actual 2004/05	Variance 2004/05
Operating Revenue	34,817	50,051	**36,435**	**41,488**	**14%**
Operating Expenses	34,365	44,955	**35,435**	**39,410**	**11%**
Income from Operations	452	5,096	**1,000**	**2,078**	**108%**
Transfer to the Province	54,630	90,714	**84,373**	**99,056**	**17%**

Land and Water BC Inc.
Schedule of Revenue Generating Activity
$ in 000's

	31-Mar-05										31-Mar-04
	Crown Land Account [1]					UEL Special Account [2]	BCTFA [3]	Water Licencing			
								MSRM [4]	General		
	Land Sales	Tenures	Royalties	Fees	Total	Land sales	Land sales	Minor Power	Licences [5]	Total	Total
Gross Proceeds	60,196	36,002	18,396	306	114,900	11,000	4,224	2,995	5,902	139,021	131,005
Recoverable Costs											
Holding	198	57	58	-	313	70	1	-	-	384	700
Consultants	2,281	170	107	-	2,558	105	66	-	-	2,729	2,850
Construction	321	-	-	-	321	-	4	-	-	325	350
Marketing	511	1	-	-	512	-	108	-	-	620	1,082
First Nations Accommodatior	-	12	-	-	12	600	-	-	-	612	-
Total Recoverable Costs	3,311	240	165	-	3,716	775	179	-	-	4,670	4,982
LWBC fees	5,631	14,378	7,292	306	27,607	1,022	405	359	5,902	35,295	35,309
Net transfer to the Province	**51,254**	**21,384**	**10,939**	**-**	**83,577**	**9,203**	**3,640**	**2,636**	**-**	**99,056**	**90,714**

Notes:

1. The Crown Land Special Account (CLA) is held by the Ministry of Sustainable Resource Management. Land and Water British Columbia Inc. (LWBC) retains 10% of net land sales revenue, 40% of net tenures and royalties revenue, and 100% of fees revenues under authority delegated to the Corporation by the Minister of Sustainable Resource Management and the Minister of Finance. The balance of the revenue is transferred to and reported in the CLA.
2. The University Endowment Lands Administration Special Account (UELA) is held by the Ministry of Community, Aboriginal and Women's Services. LWBC retains 10% of net land sales revenues under authority delegated to the Corporation by the Minister of Sustainable Resource Management and the Minister of Finance. The balance of the revenue is transferred to and reported in the UELA.
3. LWBC retains 10% of net land sales revenues generated through sales of land owned by the British Columbia Transportation Financing Authority (BCTFA) under a joint agreement between the two organizations. The balance of the revenue is transferred to and reported by the BCTFA. This agreement was terminated effective March 31, 2005.
4. LWBC retains 11% of water licencing revenues from minor water power production under authority delegated to the Corporation by the Minister of Sustainable Resource Management (MSRM) and the Minister of Finance. The balance of the revenue is transferred to and reported by MSRM.
5. LWBC retains 100% of general water licencing revenues under authority delegated to the Corporation by the Minister of Sustainable Resource Management and the Minister of Finance.

Land and Water BC Inc.
Divisional Revenue Analysis
For the Year Ended March 31, 2005
in $ 000's

	Division								LWBC		
	Land & Water Operations		Strategic Initiatives		Corporate Services		All Seasons Resorts				
Gross Revenue (% to LWBC)	**Budget**	**2004/05**	**Budget**	**2004/05**	**Budget**	**2004/05**	**Budget**	**2004/05**	**2004/05 Budget**	**Total 2004/05**	**Total 2003/04**
Land & Tenure Related Revenue (40%)	28,450	35,846	-	41	-	0	-	114	28,450	36,002	34,666
Royalty Revenue (40%)	6,920	15,418	-	-	-	-	3,460	2,978	10,380	18,396	12,720
LWBC Fees Revenue (100%)	195	180	-	58	-	67	-	1	195	306	1,290
Water Non-Power Revenue (100%)	6,100	5,902	-	-	-	0	-	-	6,100	5,902	7,734
Water Power (small producers) (11%)	2,533	2,995	-	-	-	-	-	-	2,533	2,995	1,466
Land Sales Revenue (10%)	32,000	37,945	41,500	36,352	-	0	-	1,123	73,500	75,420	79,053
Fees sub-total	**76,198**	**98,286**	**41,500**	**36,451**	**-**	**67**	**3,460**	**4,216**	**121,158**	**139,021**	**136,929**
Recoverable Project costs (100%)	1,920	3,456	2,490	1,181	-	-	-	33	4,410	4,670	4,982
Interest Revenue (100%)	-	-	-	-	650	1,523	-	-	650	1,523	1,310
Recovery on loss on sale of property	-	-	-	-	-	-	-	-	-	-	8,450
Total Gross Revenue	**78,118**	**101,742**	**43,990**	**37,632**	**650**	**1,590**	**3,460**	**4,249**	**126,218**	**145,214**	**151,671**
Revenue Retained by LWBC											
Land & Tenure Related Revenue	12,803	14,316	-	16	-	0	-	46	12,803	14,378	10,942
Royalty Revenue	3,651	6,101	-	-	-	-	1,384	1,191	5,035	7,292	6,605
LWBC Fees Revenue	195	180	-	58	-	67	-	1	195	306	1,203
Water Non-Power Revenue	6,100	5,902	-	-	-	-	-	-	6,100	5,902	7,734
Water Power (small producers)	279	359	-	-	-	-	-	-	279	359	1,112
Land Sales Revenue	3,020	3,432	3,943	3,517	-	0	-	109	6,963	7,058	7,713
Fees sub-total	**26,048**	**30,290**	**3,943**	**3,591**	**-**	**67**	**1,384**	**1,347**	**31,375**	**35,295**	**35,309**
Recoverable Project costs	1,920	3,456	2,490	1,181	-	-	-	33	4,410	4,670	4,982
Interest Revenue	-	-	-	-	650	1,523	-	-	650	1,523	1,310
Recovery on loss on sale of property	-	-	-	-	-	-	-	-	-	-	8,450
Total Net Revenue	**27,968**	**33,746**	**6,433**	**4,772**	**650**	**1,590**	**1,384**	**1,380**	**36,435**	**41,488**	**50,051**
Transfer to Province											
Crown Land Account		61,887		31,691				2,842	82,119	96,420	89,360
MSRM (Minor Power)		2,636							2,254	2,636	1,354
Total Transfer to Province		**64,523**		**31,691**				**2,842**	**84,373**	**99,056**	**90,714**

LAND AND WATER BRITISH COLUMBIA INC.
CAPITALIZED ASSETS

(in $000) For the Year Ended March 31, 2005 Capital Assets	04/05 Budget $	FY 2005 Actual $	03/04 Budget $	FY 2004 Actual $
Computer Hardware	2,393,994	2,673,833	1,919,658	1,628,994
Less Accumulated Amortization	(1,644,521)	(1,708,511)	(1,220,331)	(1,322,760)
Net Computer Hardware	749,473	965,322	699,327	306,234
Computer Software	1,977,687	1,440,048	1,436,532	1,327,687
Less Accumulated Amortization	(1,268,776)	(1,259,238)	(1,212,928)	(1,093,657)
Net Computer Software	708,911	180,810	223,604	234,030
Total Capital- Net Computer Assets	**1,458,384**	**1,146,132**	**922,931**	**540,264**
Furniture & Equipment	1,568,715	1,438,222	1,372,777	1,353,715
Less Accumulated Amortization	(919,106)	(915,272)	(668,380)	(672,098)
Net Furniture & Equipment	**649,610**	**522,950**	**704,397**	**681,617**
Leasehold Improvements	604,752	579,383	505,079	539,752
Less Accumulated Amortization	(388,872)	(387,388)	(289,109)	(296,366)
Net Leasehold Improvements	**215,880**	**191,995**	**215,971**	**243,386**
PHH Vehicles	1,223,056	1,087,054	943,334	1,111,194
Less Accumulated Amortization	(784,040)	(654,805)	(485,046)	(461,201)
Total PHH Vehicles	**439,016**	**432,249**	**458,288**	**649,993**
Total Capital Assets	**2,762,890**	**2,293,326**	**2,301,586**	**2,115,261**

LAND AND WATER BRITISH COLUMBIA INC.
CAPITALIZED ASSETS AND OPERATING EFFECT

For the Year Ended March 31, 2005 Capital Assets	04/05 Budget $	04/05 Actual $	03/04 Budget $	03/04 Actual $
Capital Acquisitions				
Computer Hardware	765,000	1,044,839	417,050	126,386
Computer Software	650,000	112,361	198,000	89,155
Furniture & Equipment	215,000	84,507	215,000	195,939
Leasehold Improvements	65,000	39,631	65,000	99,672
PHH Vehicles	-	(24,140)	-	-
Total Capital Assets Acquisitions	**1,695,000**	**1,257,198**	**895,050**	**511,152**
Operating Effect (Current Year)				
Computer Hardware	271,000	394,751	166,125	278,729
Computer Software	199,000	165,581	398,000	268,554
Furniture & Equipment	261,000	243,174	242,773	246,491
Leasehold Improvements	94,000	91,022	90,726	97,983
PHH Vehicles- Amortization	204,000	193,604	186,670	204,600
Total Amortization in Calendar Year	**1,029,000**	**1,088,132**	**1,084,294**	**1,096,357**

LAND AND WATER BRITISH COLUMBIA INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Land and Water British Columbia Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present fairly the financial position of the company as at March 31, 2005 and the results of its operations and retained earnings and its cash flows for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial statements in a timely manner.

The Auditor General of British Columbia has performed an independent audit of Land and Water British Columbia Inc. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the consolidated financial statements of Land and Water British Columbia Inc.

Bill Valentine
President & CEO

Morlene Tomlinson
Chief Financial Officer

Report of the Auditor General of British Columbia

To the Shareholder of the Land and Water British Columbia Inc.:

I have audited the consolidated balance sheet of the *Land and Water British Columbia Inc.* as at March 31, 2005 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the *Land and Water British Columbia Inc.* as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 20, 2005

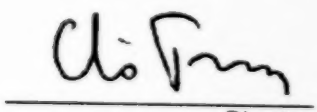
Wayne Strelioff, FCA
Auditor General

LAND AND WATER BRITISH COLUMBIA INC.
CONSOLIDATED BALANCE SHEET
(in $000)
As at March 31

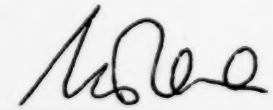
	2005	2004
	$	$
ASSETS		
Current assets		
Cash	**55,467**	24,762
Temporary investments (Note 4)	**9,413**	9,198
Accounts receivable (Note 3)	**3,372**	2,738
Current portion of long term receivable (Note 6)	**676**	-
Work-in-progress	**13,636**	11,416
	82,564	48,114
Prepaid project costs	**436**	-
Mortgage receivable (Note 5)	**7,500**	7,500
Long term receivable (Note 6)	**1,424**	-
Property held for sale	**16**	16
Capital assets (Note 7)	**2,293**	2,115
	94,233	57,745
LIABILITIES		
Current liabilities		
Accounts payable & accrued liabilities	**12,851**	10,940
Loans payable (Note 8)	**7,534**	10,000
Current portion of obligation under capital leases (Note 9)	**197**	204
Current portion of deferred revenue (Note 10)	**2,940**	2,429
Due to the Province of British Columbia (Notes 3, 11)	**42,170**	9,854
	65,692	33,427
Obligation under capital leases (Note 9)	**236**	446
Deferred revenue (Notes 3, 10)	**7,081**	4,726
	73,009	38,599
SHAREHOLDER'S EQUITY		
Share capital (Note 17)	**-**	-
Retained earnings (Note 3)	**21,224**	19,146
	21,224	19,146
	94,233	57,745

Contingent liabilities (Note 18)
Commitments (Note 19)

APPROVED BY THE BOARD:



Director



Director

The accompanying notes are an integral part of these financial statements.

LAND AND WATER BRITISH COLUMBIA INC.
STATEMENT OF CONSOLIDATED OPERATIONS AND RETAINED EARNINGS
(in $000)

For the Year Ended March 31	2005	2004
	$	$
REVENUES		
Fees (Notes 3, 12)	35,295	35,309
Recoverable costs	4,670	4,982
Interest earned (Note 13)	1,523	1,310
Recovery of loss on sale of property	-	8,450
	41,488	50,051
EXPENSES		
Salaries and benefits	22,015	20,817
Administration	3,333	3,668
Amortization	1,088	1,096
Contract services	2,050	1,236
Drought Management Initiative grants (Note 14)	1,215	-
Legal services	473	509
Loss on sale of property	-	8,450
Project costs	4,913	5,024
Rent	2,324	2,254
Telecommunication and systems	1,999	1,901
	39,410	44,955
NET INCOME FOR THE YEAR (Note 3)	2,078	5,096
RETAINED EARNINGS - BEGINNING OF YEAR (Note 3)	19,146	14,050
RETAINED EARNINGS - END OF YEAR (Note 3)	21,224	19,146

The accompanying notes are an integral part of these financial statements.

LAND AND WATER BRITISH COLUMBIA INC.
STATEMENT OF CONSOLIDATED CASH FLOWS
(in $000)

For the Year Ended March 31	2005	2004
	$	$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss)	2,078	5,096
Items not affecting cash:		
Amortization of capital assets	1,088	1,096
Loss on sale of property	-	8,450
Loss (gain) on sale of assets	1	(13)
Net change in non-cash working capital		
Accounts receivable	(634)	1,222
Work-in-progress	(2,220)	(1,183)
Accounts payable	1,911	263
Loans payable	(2,466)	(40,002)
Due to the Province	32,316	(270)
	32,074	(25,341)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Prepaid project costs	(436)	-
Loans receivable	-	31,975
Mortgage receivable	-	1,595
Long term receivable	(2,100)	(7,500)
Obligations under capital leases	(217)	(191)
Deferred revenue	2,866	1,775
	113	27,654
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Proceeds on sale of capital assets	13	-
Purchase of capital assets	(1,280)	(511)
Proceeds on sale of property	-	10,433
	(1,267)	9,922
NET INCREASE IN CASH	30,920	12,235
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	33,960	21,725
CASH AND CASH EQUIVALENTS - END OF PERIOD	64,880	33,960
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	55,467	24,762
Temporary investments	9,413	9,198
	64,880	33,960

The accompanying notes are an integral part of these financial statements.

1. The Corporation

Land and Water British Columbia Inc. (the "Corporation"), wholly owned by the Province of British Columbia (the "Province"), was incorporated under the laws of British Columbia on January 5, 1983, as W.L.C. Developments Ltd. Effective June 1, 1998, the Corporation's name changed to British Columbia Assets and Land Corporation and on February 15, 2002, the Corporation's name changed to Land and Water British Columbia Inc.

The Corporation's major divisions and principal objectives are:

Land and Water Operations Division – manages active tenures on Crown land, *Land Act* reserves required for government purposes, and water licences. This division also facilitates land sales, and processes applications for new and replacement Crown land tenures and water licence applications and amendments;

Strategic Initiatives Division – identifies and responds to significant business opportunities while leveraging new employment and large-scale investment through a pro-active approach to land and water based investment opportunities;

All Seasons Resorts – works closely with other ministries, agencies, local government, First Nations, resort operators and new investors to support and faciliate the growth and expansion of the resort sector in the province, and supports the Minister of State for Resort Development by leading the implementation of key initiatives included in the BC Resort Strategy and Action Plan;

Business Programs and Policy Division - provides policy advice on operational initiatives, economic development, and aboriginal relations, and ensures an orderly and reliable system of managing and allocating water rights in the province. This Division includes the Comptroller of Water Rights; and

Corporate Services Division – provides finance and administration services to the Corporation, including financial management and reporting, freedom of information and records management, information technology, communications and strategic human resource services.

The Corporation is economically dependent upon the Province to provide Crown land to market and sell, and on the assignment of responsibility for administering Crown land and water rights as a means of generating revenue.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes.

2. Significant accounting policies

Financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary 617548 B.C. Ltd. All significant inter-company transactions and balances have been eliminated. This subsidiary does not carry out any active business other than holding a mortgage related to the sale of lands formerly held by the Pacific National Exhibition (See Note 5).

Temporary investments consist of units in Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost adjusted by income attributed to the units, and market value. Income attributed to the units represents the unitholder's share of interest earned by the Portfolio and may be realized upon sale of units.

Work-in-progress represents eligible expenses incurred to promote the disposition of designated Crown land through sale or tenure. These expenses are recoverable when the related Crown land disposition is completed. Operating and administrative expenses of the Corporation are excluded under the terms of the Corporation's governing agreements with the Province.

Property held for sale represents a Whistler, British Columbia landholding and improvements recorded at the lower of cost and estimated net realizable value.

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as indicated below. Assets costing less than $1,000 are expensed when purchased.

· Computer equipment and software	3 years
· Furniture and equipment	5 years
· Leasehold improvements	Lesser of 5 years or lease term
· Vehicles under lease	Lesser of 7 years or lease term

Fees are recognized from:

- Land sales when all the significant risks and rewards of ownership have passed from the seller to the buyer;
- Crown land tenures when earned; and
- Crown water resources for applications or water rights when earned.

During the year, the Corporation changed its accounting policy for the recognition of fees from land sales. This change was made to ensure compliance with Canadian generally accepted accounting principles. In prior years the Corporation followed the industry practice of recognizing revenue from land sales when all material requirements related to the transactions had been met and the appropriate cash down payment or appropriate security had been received. This change has not been applied retroactively.

Use of estimates The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from these estimates.

3. Prior Period Adjustments

a. During the year, the Corporation reviewed the status of accounts receivable from recipients of land sales, land tenures and water licences. It was determined that ownership rests with the Province despite an administrative arrangement whereby payments on balances due are to be made payable to the Corporation as the delegate of the Minister of Sustainable Resource Management.

As a result of this review, accounts receivable for the prior year have been restated to remove $10,452,000 from the assets of the Corporation. Amounts due to the Province have been reduced by the same amount. There is no impact from this adjustment to the Shareholder's Equity or to the Statement of Consolidated Operations and Retained Earnings.

b. During the year, the Corporation reviewed its accounting practices for recognition of revenue on interim Licences of Occupation issued by the Oil and Gas Commission. These licences are issued for a term not usually exceeding four years during which time licencees have an option to exercise their right to obtain a statutory right of way over part, or all of the land as may be required, for construction of a pipeline and related telecommunications facilities. The agreements set out the terms for the licence and require prepayment of the full balance at the time the agreement is signed.

As the Delegate of the Minister of Sustainable Resource Management, the Corporation has responsibility for the management of the tenures arising from these agreements, and accordingly retains a portion of the proceeds as a fee. In prior years, these fees were reported as land and tenure related fees revenue at the time of payment.

To ensure consistency with Canadian generally accepted accounting principles, revenue should be recognized when it is earned rather than when the payment is due. Accordingly, the prior year results have been restated to reflect a reduction in opening retained earnings of $1,643,000, a reduction in revenue of $1,435,000, and an increase to deferred revenue of $3,078,000.

The cumulative impact of the above adjustments is set out in the schedule below.

	2004 Balances		
	As Stated	Net Adjustment	As Restated
Accounts receivable	13,190	(10,452)	2,738
Fees revenue	36,744	(1,435)	35,309
Due to the Province of British Columbia	20,306	(10,452)	9,854
Deferred revenue[1]	4,077	3,078	7,155
Net income	6,531	(1,435)	5,096
Retained earnings, beginning of year	15,693	(1,643)	14,050
Retained earnings, end of year	22,224	(3,078)	19,146

1. Deferred revenue was stated as $3,824,000 in the prior year financial statements. The amount of $253,000 was reclassified from accounts payable to conform to the current year presentation (See Note 21).

4. Temporary investments

	2005	2004
Cost	9,413	9,198
Unrealized gain	3	6
Market value	9,416	9,204

5. Mortgages receivable

617548 B.C. Ltd. entered into a mortgage with the purchaser of a portion of the former Pacific National Exhibition lands. The principle amount of $7,500,000 is receivable in full in April 2006. Interest is receivable monthly at a rate of 5.75% per annum.

6. Long Term Receivable

In April 2004, the Corporation accepted a promissory note from the University of British Columbia for the sale of University Golf Course. The principle amount of $2,100,000 plus interest of $150,000 is receivable in three installments of $750,000 each payable on April 1 of each year beginning in 2005. Interest is calculated at an effective rate of 3.5% per annum.

7. Capital assets

	2005			2004
	Cost	Accumulated Amortization	Net	Net
Computer equipment and software	3,714	2,561	**1,153**	539
Furniture and equipment	1,438	921	**517**	682
Leasehold improvements	579	388	**191**	244
Vehicles under capital leases	1,087	655	**432**	650
	6,818	4,525	**2,293**	2,115

8. Loans payable

This loan is payable to the Province and relates to the purchase of Pacific National Exhibition lands located in Surrey. The Corporation was given authorization in 2002 to borrow up to a maximum of $18 million from the Province, with interest charged based on prevailing money market rates. In April 2004, the Corporation refinanced $7,534,000 with the principal and interest due at the expiry of a one year term.

9. Obligation under capital leases

The Corporation has vehicle leases that are classified as capital leases. As at March 31, 2005, the Corporation has vehicle leases with a net book value of $433,000 (2004 $650,000). Leases expire from April 2006 to February 2009. Future minimum annual lease payments are as follows:

2006	209
2007	156
2008	64
2009	24
	453
Less amount representing interest	(20)
Present value of capital lease obligations	433
Less current portion	(197)
Long-term portion of capital lease obligations	**236**

Interest at a rate of 3.4% was incurred during the year with respect to the above. Interest cost for the 2005 year of $19,000 is included in administration expenses.

10. Deferred Revenue

Deferred revenue includes a long-term tenure issued under the Telus Lightguide Agreement providing for the right of way for telecommunication lines. Amounts deferred are included in income on a straight line basis over the tenure term ending in fiscal 2026. As at March 31, 2005, the Corporation has deferred revenue of $2,401,000 under this agreement, of which $120,000 is included in the current portion.

Deferred revenue also includes a long-term tenure issued to the North Fraser Port Authority. Amounts deferred are included in income on a straight line basis over the tenure term ending in fiscal 2042. As at March 31, 2005, the Corporation has deferred revenue of $1,841,000 under this tenure, of which $51,000 is included in the current portion. The Corporation has also deferred $436,000 for the recovery of related project costs that will be included in revenue over the tenure term, of which $12,000 is included in the current portion.

Deferred revenue also includes interim licences of occupation issued by the Oil and Gas Commission to provide opportunity to industry in assessing the feasibility of pipeline construction. Amounts deferred are included in income on a straight line basis over the term of the licence or upon cancellation of the licence should that occur prior to expiration of the term. These licences are issued for various terms not usually exceeding four years. As at March 31, 2005, the Corporation has deferred revenue of $3,162,000 under these licences, of which $712,000 is included in the current portion.

Deferred revenue also includes unearned fees collected for land sales, land tenures and water licences of $2,181,000 of which $2,045,000 is included in the current portion.

11. Due to the Province of British Columbia

Payable to:	2005	2004
Ministry of Sustainable Resource Management	**41,030**	7,969
Ministry of Agriculture, Food and Fisheries	**1**	-
British Columbia Transportation Financing Authority	**1,139**	1,341
BC Transit	-	544
	42,170	9,854

12. Fees

	2005				2004
	Gross Proceeds	Recoverable Costs	Net Provincial Revenue	LWBC Revenue	LWBC Revenue
Land sales	75,420	4,265	64,097	**7,058**	7,713
Land and tenure related	36,002	240	21,384	**14,378**	10,942
Royalties	18,396	165	10,939	**7,292**	6,605
Water licensing	8,897	-	2,636	**6,261**	8,846
Application fees and miscellaneous	306	-	-	**306**	1,203
	139,021	4,670	99,056	**35,295**	35,309

On completion of Crown land dispositions, the Corporation deducts all recoverable costs related to the disposition and its fee from the gross proceeds prior to remitting the balance to the Province.

13. Interest earned on funds held on behalf of the Province

Interest earned on funds held on behalf of the Province is reported as income of the Corporation as authorized by a Delegation Agreement signed with the Province.

Other sources of interest include cash and temporary investment balances, accounts receivable, mortgage receivable and long term receivable balances.

14. Drought Management Initiative grants

As an element of the Drought Management Initiative, the Corporation provided $1,215,000 in grants to local water suppliers in communities throughout the Province to prepare drought and water conservation plans and education materials.

15. Related party transactions

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, unless disclosed separately, are generally considered to be in the normal course of operations and are recorded at the exchange amount.

The Corporation had the following related party transactions during the year, all of which were recorded at the exchange amount:

a. Fees earned include $34,890,000 from the Province, and $405,000 from the British Columbia Transportation Financing Authority.

b. Expenses include services received from various Provincial ministries of $978,000 for administration, $138,000 for contract services, $244,000 for legal services and $744,000 for telecommunications and systems.

c. Rent expense includes amounts paid to British Columbia Buildings Corporation of $1,012,000.

d. Accounts receivable include $5,027,000 due from various Provincial ministries.

e. Accounts payable and accrued liabilities include $3,023,000 due to various Provincial ministries.

16. Financial instruments

The Corporation's financial instruments consist of cash, temporary investments, accounts receivable, loans receivable, mortgages receivable, accounts payable, loans payable and amounts due to the Province. The fair values of these financial instruments approximate their carrying values. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

17. Share capital

The Corporation has authorized capital consisting of 10,000 common shares with no par value. The Minister of Sustainable Resource Management holds the one common share issued as representative of Her Majesty the Queen in right of the Province of British Columbia.

18. Contingent liabilities

The Corporation is the defendant in legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the Corporation.

19. Commitments

The Corporation has entered into facilities leases for office space expiring on various dates to 2010. Future minimum payments under these leases are:

	2006	1,969
	2007	1,528
	2008	1,377
	2009	995
	2010	729
Total		**6,598**

20. Post retirement benefits

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The Public Service Pension Plan is a multi-employer, defined benefit plan and is available to Corporation employees.

The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. Under joint trusteeship, which became effective January 1, 2001, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2002) has determined the Plan is in a surplus position.

The Corporation also annually contributes through the Provincial government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The costs of these employee future benefits are recognized as an expense in the year that contributions are paid.

21. Comparative figures

Prior year figures have been restated to conform to the presentation adopted in the current year.

CORPORATE GOVERNANCE

Land and Water British Columbia Inc. ("LWBC" or the "Corporation") was incorporated under the former British Columbia *Company Act* and its corporate status is now governed by the *Business Corporations Act* (British Columbia). The Corporation's authorized share capital consists of a single class of shares, of which one share is issued and outstanding. That share is held by the Minister of Sustainable Resource Management on behalf of the Province of British Columbia.

LWBC operates under a Delegation Agreement dated March 31, 2003 between the Corporation, the Province and the Minister of Sustainable Resource Management. This agreement, as supplemented by a Notice and Delegation dated November 12, 2004 (the "Delegation Agreement") provides for the delegation to LWBC of the Minister's powers to dispose of Crown land under the *Land Act*, the *Ministry of Lands, Parks and Housing* Act and the *University Endowment Land Act* and also describes the role of LWBC in the administration of the *Water Act* and water resource allocation.

The Corporation's governance structures reflect its corporate existence, the framework established by the Delegation Agreement and the broader government framework of statutory and other requirements that apply to government bodies.

Board of Directors and Board Committees

LWBC's Board of Directors is responsible for the stewardship of the Corporation. The Board assumes responsibility for approving the Corporation's strategic plans and for overseeing the performance of the Corporation's President and CEO and the executive management team. The Board of Directors consists of eight members all of whom are senior government officials or experienced executives from other public sector bodies.

Current appointees: The following Directors are appointed for an open-ended term and are confirmed annually.

Name	Title	E-mail Address
Chris Trumpy	Chair and Deputy Minister, Sustainable Resource Management	Chris.Trumpy@gov.bc.ca
Bill Valentine	President and Chief Executive Officer, Land and Water British Columbia Inc.	Bill.Valentine@gov.bc.ca
Doug Caul	Assistant Deputy Minister, Small Business and Economic Development	Doug.Caul@gov.bc.ca
Sharon Halkett	Executive Vice-President, British Columbia Buildings Corporation	Sharon.Halkett@gov.bc.ca
Kevin Mahoney	President and Chief Executive Officer, British Columbia Railway Company	Kevin.Mahoney@gov.bc.ca
Greg Reimer	Deputy Minister, Provincial Revenue	Greg.Reimer@gov.bc.ca
Tamara Vrooman	Deputy Minister, Finance	Tamara.Vrooman@gov.bc.ca
Lori Wanamaker	Assistant Deputy Minister, Community, Aboriginal and Women's Services	Lori.Wanamaker@gov.bc.ca

Governance Principles

LWBC and its board are guided by governance policies and procedures, including a code of conduct for directors and corporate conflict of interest guidelines, which have been reviewed and approved by the Board. This governance framework is guided by six key principles:

1. Stewardship, Leadership and Effective Functioning of the Board
2. Clarity of Roles and Responsibilities
3. Openness, Trust and Transparency
4. Service and Corporate Citizenship
5. Accountability and Performance
6. Value, Innovation and Continuous Improvement

The Board of Directors is engaged in an assessment of its governance policies and procedures and will apply the standards and expectations set out in the Best Practice Guidelines from the Board Resourcing and Development Office in the upcoming year.

Role and Purpose of Board Committees

As part of its ongoing review of its governance policies and procedures, the Board of Directors has commenced a review of its committee structure. The **Audit Committee** currently functions as the key committee of the Board with the following responsibilities:

- oversee internal and external audit processes, recommend financial statements to the Board of Directors;
- review the financial and performance information provided to stakeholders;
- recommend financial statements to the Board of Directors;
- obtain assurances that Corporation's accounting systems are reliable and that prescribed internal controls are operating effectively and that the Corporation is complying with all statutory and regulatory requirements;
- evaluate corporate risks and their management;
- report to the Board of Directors on its major discussions, decisions and the discharge of its responsibilities

The members of Audit Committee are as follows:

Audit Committee

Position	Name
Chair	Greg Reimer, Deputy Minister, Provincial Revenue
Member	Lori Wanamaker, Assistant Deputy Minister, Community, Aboriginal and Women's Services

Senior Management Team for 2004/05

While the primary accountability for LWBC's corporate performance rests with the Board of Directors, the Senior Management Team has the exclusive responsibility for implementing the corporate Service Plan in a manner consistent with the Shareholder's objectives, and for meeting the performance targets described in that plan. The Management Team at LWBC has the following general responsibilities:

- achieve its mandate and the performance expectations of the Service Plan;
- operate within its approved budget;

- establish and implement corporate policies and procedures that are consistent with the Shareholder's general direction;
- provide the Shareholder with reports, including an annual Service Plan and Annual Report, that enables the Shareholder to carry out its legislative responsibilities;
- work with the Shareholder to develop policies and plans that support the achievement of the Service Plan's objectives; and
- operate within the delegated authority provided through the Ministry of Sustainable Resource Management.

Senior Management Team:

Name	Title	E-mail address
Bill Valentine	President and Chief Executive Officer	Bill.Valentine@gov.bc.ca
Jim Yardley	Vice President, Land and Water Operations	Jim.Yardley@gov.bc.ca
Mike Carter	Vice President, Strategic Initiatives	Michael.Carter@gov.bc.ca
Glen Thompson	A/Executive Director, Business Programs & Policy	Glen.Thompson@gov.bc.ca
Bill Irwin	Executive Director, All Seasons Resorts	Bill.Irwin@gov.bc.ca
Morlene Tomlinson	Executive Director, Corporate Services	Morlene.Tomlinson@gov.bc.ca
Jim Mattison	Executive Director & Comptroller of Water Rights	Jim.Mattison@gov.bc.ca
Jim McGregor	Service Centre Director, Northern Service Region	Jim.McGregor@gov.bc.ca
Heather MacKnight	Service Centre Director, Lower Mainland Service Region	Heather.MacKnight@gov.bc.ca
Mike Lambert	Service Centre Director, Vancouver Island Service Region	Mike.Lambert@gov.bc.ca
Steve Carr	Service Centre Director, Southern Service Region	Steve.Carr@gov.bc.ca

Relationships with the Shareholder and other Government Agencies

The relationship between the LWBC and the shareholder is governed by the Shareholder's Letter of Expectation that sets out Government's directives. The following outlines the relationships with other key government committees or agencies:

Select Standing Committee on Crown Corporations:

- review and make recommendations to the Legislature on LWBC's Service Plan and Annual Report.

Cabinet Committee on the Environment and Resource Development (CCERD):

- receive and review LWBC's Service Plan and make recommendations to Cabinet.

Deputy Ministers Council on the Environment and Resource Development (DMCERD) Secretariat:

- acts as liaison between LWBC and CCERD.

Treasury Board:

- approve financing arrangements for LWBC as required;
- approve regulations relating to LWBC accounting policies and practices, and the form and content of corporate financial disclosure requirements; and
- make regulations or issue directives regarding the planning, management and reporting of corporate capital expenditures.

Crown Agencies Secretariat:

- provide oversight role for governance, mandate reviews, financial reporting and budgets, service plans and annual reports.

Office of the Comptroller General:

- provide overall quality and integrity of LWBC's financial management and control systems.

CONTACT INFORMATION

LWBC Offices

Cranbrook (Kootenay) Field Office
1902 Theatre Road
Cranbrook, BC, V1C 7G1
Tel: (250) 426-1766
Fax: (250) 426-1767

Fort St. John Field Office
370-10003 110th Avenue
Fort St. John, BC, V1J 6M7
Tel: (250) 787-3415
Fax: (250) 787-3219

Kamloops Service Centre
(Southern Service Region)
3rd Fl. 145 3rd Avenue
Kamloops, BC, V2C 3M1
Tel: (250)377-7000
Fax: (250)377-2383 – All Seasons Resorts
Fax: (250)377-7036 – Land & Water Operations

Nanaimo Service Centre
(Vancouver Island Service Region)
501 – 345 Wallace Street
Nanaimo, BC, V9R 5B6
Tel: (250)741-5650
Fax: (250)741-5686

Penticton Field Office
102 Industrial Place
Penticton, BC, V2A 7C8
Tel: (250)490-8200
Fax: (250)490-2231

LWBC website: http://www.lwbc.bc.ca

Prince George Service Centre
(Northern Service Region)
200 – 1488 4th Avenue
Prince George, BC, V2L 4Y2
Tel: (250)565-6779
Fax: (250)565-6941

Smithers (Skeena) Field Office
3rd Fl., 3726 Alfred Avenue
PO Box 5000
Smithers, BC, V0J 2N0
Tel: (250)847-7356
Fax: (250)847-7556

Surrey Service Centre
(Lower Mainland Service Region)
200 – 10428 153rd St.
Surrey, BC, V3R 1E1
Tel: (604)586-4400
Fax: (604)586-4419

Williams Lake (Cariboo) Field Office
201 – 172 North Second Avenue
Williams Lake, BC, V2G 1Z6
Tel: (250)398-4574
Fax: (250)398-4836

Corporate Offices – Victoria
5th Floor, 609 Broughton St.
Victoria, BC, V8W 1C8
Tel: (250)952-6246
Fax: (250)952-6237

Links to other corporate reports:
http://www.lwbc.bc.ca/05media/reports/index.html

GLOSSARY

- **Agency Sales:** Sales of land owned by other organizations where the lands are own by other ministries, agencies or organizations (e.g. BC Transportation Financing Authority). LWBC will establish appropriate protocols and service contracts with the title holder.
- **Application Backlog:** includes applications for land tenures or water licences that have not been processed within a year of receipt of the application.
- **Aquaculture:** the growing and cultivation of aquatic plants, finfish, shellfish, or other invertebrates for commercial purposes, in any water environment or in human-made containers of water, in or under the foreshore or in water.
- **Competency Matrix:** a list of measurable characteristics that is required for successful performance in a position. Competencies include:
  - technical skills and abilities; and
  - behavioural characteristics such as motives, attitudes and knowledge
- **Crown grant:** a document granting an interest in Crown land in fee simple to a specified party.
- **Crown land:** land, whether or not it is covered by water held by the provincial government and not in fee simple by an agency of the provincial government.
- **Disposition:** the result of a decision and process in which Crown land is allocated.
- **Foreshore:** land between the high and low water marks of lakes, streams and ocean and is also known as Crown land or Crown-owned foreshore. In most cases, it is the land that is uncovered and covered by the tide or changes in water height caused by either tidal action or by other means e.g. a dam.
- **Free Crown Grant:** Grant of land to local government or public agencies. Generally for community uses such as parks and community health care infrastructures. A "reverter" clause is placed on the title so that the land automatically reverts to the province if it is no longer required or used for the specific purpose. The land must be surveyed and the applicant must have a sponsor Ministry.
- **Hectare**: A hectare is a term in the metric system for an area equal to 10,000 square metres, or 2.47105 acres. Conversely, one acre equals 0.404686 hectares. The hectare is abbreviated as ha.
- **Investigative Permit:** authorizes an applicant to use Crown land for a specific purpose, for a limited period of time, in order to investigate a potential project.
- **Key Accounts**: Key clients, major businesses and industry organizations which together account for over 60% of LWBC's revenues. Many of the key accounts have senior LWBC staff assigned to them as "key client representatives".
- **Nominal Rent Tenure:** a tenure given to local governments (regional or municipal) for public purposes. Examples are fire halls, ambulance stations, public recreation, sewage treatment facilities, garbage dumps etc.
- ***Land Act* Reserves:** Crown land that has been withdrawn from disposition under the Land Act.
- **Land Exchanges**: an exchange or swap of Crown land for private land the provincial government wishes to acquire. Land swaps may involve only land or a combination of land and money or land and timber, and are usually done to purchase land for protected heritage or ecological areas.

- **Lease**: a form of tenure providing exclusive right to use a parcel of Crown land for a specific purpose, including making improvements to the land and for a specified period of time as set out in the tenure documents (legal documents issued by LWBC). This form of tenure grants the tenure holder the most rights.
- **LWBC**: acronym for Land and Water BC Inc., a corporation of the Government of BC responsible for management of Crown land and water resources.
- **MSRM**: acronym for Ministry of Sustainable Resource Management.
- **Permit:** a form of tenure normally authorizing short term use of six months to two years; and low impact use such as kayaking, site investigation and mountain guiding which require no construction or improvements. The permit gives the holder non-exclusive rights to Crown land for the duration of the permit.
- **Private Water Utilities:** individuals or businesses that own or operate equipment or facilities for the delivery of domestic water service to five or more people or to a corporation for compensation. Private water utilities are usually created by developers to serve rural land development where community water service is required for subdivision approval and where there is no other water purveyor in the area that can provide service.
- **Reserved Land:** Crown land that has been withdrawn from disposition under the *Land Act* or any other Act; e.g. estuaries, land set aside for public use, gravel for highways, environmental protection or parks.
- **Risk Matrix**: A method of presenting all possible significant risks likely to be encountered in a project or program, the likelihood of the risks occurring, their areas of impact, and the risk mitigation techniques to be employed.
- **Tantalis:** A land information system designed to provide support for all aspects of Crown land administration.
- **Tenure:** a legal contract in the form of a lease, licence of occupation, right of way, or permit which is legally binding on the province and the person(s) holding the tenure. Tenures can be offered for exclusive (no overlapping tenures) or non-exclusive use (includes overlapping tenures). For example the area under tenure where exclusive use is conveyed covers 442,850 hectares; whereas, the area under non-exclusive use covers 14.9 million hectares.
- **Tenuring:** the process by which rights are granted for the use and/or occupation of Crown land.
- **Transfer of Administration:** Transfer authority to administer parcel of land to another provincial ministry or agency. Requires a ministerial order.
- **Transfer of Administration and Control:** Transfer authority to administer a parcel of land to a federal ministry or agency. Requires an Order-In-Council approval.
- **Water Licence Amendment Backlog:** existing water licences that have required amendment for at least a year. Water licences require amendment when the purpose of water consumption changes; new works are constructed; the property associated with a licence is subdivided; water rights are transferred to a new property; or licensees require additional time to construct works or make beneficial use of water.
- **Water User Community:** A corporation formed under the Water Act to own and operate works for the delivery of water to its member licensees.
- **WLAP:** Ministry of Water, Land and Air Protection.
- **WRIS:** Water Rights Information System.

APPENDIX 1

Performance Management and Reporting Information

Goal 1: Increased investment and economic development

Objective 1: Stimulate investment and economic development

Economic diversification and development are ongoing and Crown land presents a key opportunity. LWBC recognizes it has a role to play in supporting responsible growth of the economy, and many LWBC business priorities are aimed at improving its ability to respond to local economic development needs across the province. The strategies set out below address how LWBC stimulate investment and economic activity.

Key Strategies

1. Actively promote growth in new and emerging sectors.
2. Develop pricing strategies that enhance investment.
3. Expand the application of the Commercial Alpine Ski Policy.
4. Build on the Heartlands Economic Strategy, Fast-Track Process, Commercial Alpine Ski Policy and work with Partnerships BC to attract and expand investment.
5. Provide leadership and support in the delivery of the province's Resort Task Force initiative.
6. Build market-based partnerships with the business community, local governments, and First Nations
7. Develop a "tool kit" designed to create economic partnerships with First Nations
8. Further develop a multi-year marketing plan
9. Work closely with key accounts and sectors to proactively work on long-term development opportunities

Objective 2: Ensure sufficient land inventory so economic development is not constrained

By helping to make Crown land available to facilitate sustainable economic growth opportunities, LWBC is assisting communities meet their economic challenges. The corporation provides a complete listing and description of all Crown land available for sale and offers these opportunities to the public at fair market value.

Key Strategy

1. Work with government agencies, ministries and the private sector to improve the responsiveness of the decision-making processes to increase land inventory for development.

Performance Measures and Results

GOAL 1	Results			Targets			
Performance Measure	**02/03**	**03/04**	**04/05**	**04/05**	**05/06**	**06/07**	**07/08**
Gross revenue of Crown land sales[1]	$34.1 million	$73.3 million	$71.2 million	$73.5 million	$73.5 million	$73.5 million	$73.5 million
Gross revenue from tenures and royalties[2]	$44.7 million	$51.0 million	$54.4 million	$37.7 million	$43.7 million	$44.6 million	$45.6 million

Variance Discussion: Crown land sales were lower than target due to one major project (Bridgepoint) that was anticipated to result in a sale, but developed into a 37-year pre-paid lease instead. LWBC considered this target met as the Bridgepoint project resulted in $5.75 million in pre-paid rent. The $71.2 million also does not include $4.2 million in Agency Sales (i.e. BCTFA sales).

Data Source: *Finance Administration Branch*

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[1] Crown land sales gross revenue target of $73.5 million for 2005/06 to 2007/08 represents the average for a three year target of $220.5 million. Crown land sales gross revenue excludes Agency Sales (BCTFA land sales).

[2] Land tenures and royalties are projected to increase at a rate of 2.5% per year over the next three years. Land tenures are budgeted at 2004/05 forecasted levels, less $5.25 million dollar impact of change in Oil and Gas Commission tenuring policy.

Goal 2: Timely and effective permitting and licensing

Objective 1: Optimize responsiveness, reduce application cycle time, and improve service levels

The predictability and timeliness of the land tenure and water licence application processes is of critical importance to businesses proposing to operate on Crown land and water resources. A defined turnaround time of 140 days provides applicants with greater certainty when planning their activities. LWBC has set performance measures related to achieving these targets and expect to meet them 90% of the time. LWBC measures the time in process for all stages of the application process, except where it is up to the applicant to meet any specific mitigation provisions that may require as a result of the review process (e.g. environmental impacts assessment).

Key Strategies

1. Assign resource to key accounts, key sectors and key projects.
2. Improve coordination amongst LWBC, ministries, agencies, and the Oil and Gas Commission.
3. Determine process and systems gaps that will improve security of tenure and water licence holders.
4. Enhance First Nations' consultation with dedicated resources
5. Implement improvements to consistency of evaluations, pricing and appraisals across the regions.

Objective 2: Minimize LWBC's costs associated with revenue collection

Overdue accounts receivable (those over 180 days) related to tenure and water licensing activity warrant collection action. Significant process was made toward distinguishing the overdue accounts that are not collectible from those that warrant collection action. In addition, the corporation has set up arrangements with financial institutions for telephone and on-line banking.

Key Strategies

1. Streamline land management administration functions.
2. Pursue new opportunities to improve security and investment with public lands.
3. Initiate process review to reveal low return activities.
4. Improve dispute resolution by streamlining processes.
5. Improve financial management and administration of tenures and licences.
6. Target compliance and enforcement on high-risk areas.
7. Create electronic billing and payment processes for key accounts.

Performance Measures and Results

GOAL 2	Results			Targets			
Performance Measure	**02/03**	**03/04**	**04/05**	**04/05**	**05/06**	**06/07**	**07/08**
Processing Efficiency: Process land and water tenures within 140 days	93% of the time	97% of the time	94% of the time	90% of the time	90%[1] of the time	90% of the time	90% of the time
Reduce costs associated with revenue collection	N/A	N/A	Bad debts expense: less than 5% of land tenure revenue; less than 10% of water licensing revenue	Establish baseline	Less than 5% for land Less than 10% for water	Less than 5% for land Less than 10% for water	Less than 5% for land Less than 10% for water

[1] LWBC has reviewed the impact of moving from 90% achievement of the standard to 100% and has determined that the costs required to meet 100% are not in line with the "negligible impact" from a client relationship standpoint.

Variance Discussion: Objective 2 and the associated performance measure were reviewed by management and revised from the original statements to reflect only the costs associated with revenue collection. Management felt it was more constructive to focus on managing bad debts expense rather than trying to measure the costs associated with tenure management, which is very complex. Two separate and distinct baselines were established: one for land and one for water. The targets for 2005-08 were subsequently modified to reflect to the new baselines which were derived based on acceptable industry standards. Bad debts expense for land should not exceed 5% of gross land and tenure related revenue; and bad debts expense for water should not exceed 10% of water licensing revenue (including general, local authorities, sundry and minor power). The percentage is higher for water because it is more difficult to collect bad debts from water than it is from land due to fewer enforcement mechanisms on the water side, especially for the general rentals group. This group pays about $4 million per year and comprises of over 29,000 clients, of whom about 16,000 are required to pay less than $50 per year. Just under half of this revenue is from BC Hydro which pays promptly. That leaves $2,143,000 owed by approximately 17,000 clients. This group presents the most challenge in terms of overdue accounts receivable. Furthermore, annually approximately 1,200 bills, about 7% of the bills sent out annually, will return due to a change of ownership or address or both. The Water Revenue Unit finds the new owner or address and resends the bill.

The *Water Act* section 23.2.c states that a water licence may be cancelled for non-payment after three years of non-payment. If a client is cancelled for non-payment then the debt cannot be collected because: 1) A right cannot be restored to use in the past; 2) The water right may have been given to another client so it is not available for reinstatement to the prior licence holder. Between the small amounts, the lack of clout and the absence of a single compliance officer in the province there is little payback for water collections. Collection activity by collection agencies is cost-effective only for outstanding amounts of $100 or more. LWBC automatically sends an overdue notice annually. For all of these reasons the bad debts expense is higher for water. LWBC issued approximately $27 million in invoices for land and tenure related revenue and $2.1 million in invoices for the 17,000 water general clients who are difficult to collect.

Data Source: *Tantalis and WRIS (land and water information tracking systems) and Finance Administration Branch*

Goal 3: Satisfied clients and customers

Objective 1: Increase client and customer satisfaction ratings

As a customer driven organization, LWBC is committed to measure and report its performance in respect of the services it provides to its customers. The first customer survey was undertaken in June 2003 and this annual report gives an account the second survey conducted in January and February of 2005. LWBC divides its customers into two groups, "key clients", major businesses and industry organizations which together account for over 60% of LWBC's revenues; and all other customers, including land sales customers and the holders of land tenure and water rights. Many of the key clients, but not all, have senior LWBC staff assigned to them as "key client representatives". FORUM Consulting Group Ltd. was engaged to undertake the 2004/05 survey. They interviewed representatives of 21 key clients (six were interviewed in 2003/04) and implemented a telephone survey of over 575 other customers selected at random from LWBC's customer lists (517 in 2003/04). The survey methodology used in 2004/05 was somewhat different from that used in 2003/04 but should provide a firm basis for future comparative and trend analysis.

Key Strategies

1. Work with other agencies and ministries to continuously streamline processes with clients and customers.
2. Dedicate resources to improve the service for key accounts.
3. Formalize key account management processes through the establishment of a management framework, comprehensive planning, maintenance of information systems and processes, and strategy execution.
4. Continue to focus sessions and surveys with key clients and customers on an annual basis.
5. Resolve top issues identified in 2003 client satisfaction survey.
6. Integrate top survey issues with ongoing initiatives into a comprehensive improvement implementation plan.

Objective 2: Improve systems

In 2004/05 we began implementation of a four-year, $6.3 million Information Management/Technology strategy which includes a capital upgrade to our computer systems to improve capacity, customer service and efficiency. LWBC will move forward with an IM/IT Strategy that will include replacing the aging and outdated water system to improve efficiencies in customer service and management reporting.

Key Strategies

1. Streamline and integrate financial systems.
2. Centralize accounts receivable.
3. Assume ownership of land and water management systems.
4. Integrate Tantalis and Water Rights Information System.

Performance Measures and Results

GOAL 3	Results			Targets			
Performance Measure	**02/03**	**03/04**	**04/05**	**04/05**	**05/06**	**06/07**	**07/08**
Improvement on issues identified with key accounts as measured by annual focus group sessions	N/A	N/A	69% satisfaction	70% satisfaction	75% satisfaction	80% satisfaction	80% satisfaction
Customer satisfaction as measured annually for land sales	N/A	61% baseline	83%	67%	74%	77%	81%
Customer satisfaction as measured annually with land tenure holders, water licence holders, and the business and commercial community	N/A	68% baseline 33% response rate[4]	80% 100% response rate[5]	75% 70% response rate	79% 75% response rate	83% 75% response rate	87% 75% response rate
Systems implemented to better meet business needs and improve customer responsiveness	N/A	N/A	IM/IT project underway; Systems survey conducted as part of Customer Survey	Projects designed and in construction; Baseline systems survey established.			
Reduce pricing disputes with key accounts	N/A	N/A	7 key account pricing disputes identified as baseline	Establish baseline	50% reduction	50% reduction	Survey clients re: pricing

Variance Discussion: The number of key clients interviewed increased from 6 in 2003 to 21 in 2005. This made direct comparison less meaningful. 2005 telephone survey covered a sample of customers not included in the key clients described above. Most were smaller companies or individuals. 2003 survey used four key customer satisfaction indicators to measure LWBC's customer service performance. These were measures of responsiveness to customer needs (timing and response); access (how, when and where); the quality of information provided by LWBC; and the courtesy and caring provided to customers. These indicators were measured again in 2005 and provided valuable insights into how the corporation can align its internal resources to meet the concerns and needs of all its customers. Taking into account the same four service indicators, there was an increase in overall customer service levels (80% in 2005 compared to 68% in 2003). Overall satisfaction with land sales increased to 83% in 2005 compared to 61% in 2003. Overall, 2004/05 customer satisfaction results met or exceeded the targets. Neutral respondents were taken into account in satisfaction ratings.

Data Source: *2005 LWBC Customer Survey was conducted by an independent consulting company; IM/ITproject update provided by Information Systems Branch; and pricing disputes baseline provided by Business Programs and Policy Division.*

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[4] 2003 survey was conducted by a web survey. About 1600 letters were mailed to customers and followed up by phone calls. This elicited 517 completed responses via the internet and a response rate of 33%.

[5] The 2005 survey was elicited by means of a direct telephone survey which enables better control over those who participated, and the breakdown by LWBC's major business areas was more representative. The survey population was calculated at 575 to provide a +/- 4% accuracy, 95% of the time and thus a response rate of 100% was achieved.

Goal 4: An internal capacity and culture that meets business needs

Objective 1: Align resources with business needs

As a corporation, LWBC needs to enhance awareness of the people-related component of its business and align resources to the broader, longer-term needs of the corporation. This will enables LWBC to prioritize and allocate the time and resources spent on human resources initiatives and to think more holistically about HR activities - to see them as part of larger systems, rather than isolated elements.

Key Strategies

1. Increase internal analytical and business capacity relating to market analysis, marketing activities, inventory development, and economic analysis.
2. Expand the business capacity of the Corporation through training, hiring and partnerships with external resources.
3. Promote a shift in mindset to greater awareness of economic development.

Objective 2: Improve employee engagement and communication

In 2004/05 LWBC developed its first Strategic Human Resource Plan titled "Looking Forward". The development of this plan marks a significant step forward in the corporation's approach to human resources management at LWBC. It recognizes the importance of having a structured, planned approach to human resources initiatives - one that is linked directly with service planning and with government-wide human resources planning and initiatives.

Key Strategies

1. Implement a formal action plan designed to meet the needs identified in the employee engagement survey.
2. Institute more opportunities to share skills and ideas.
3. Continue to emphasize the importance of the Employee Performance and Development programs.
4. Support succession planning processes and complete specific workforce plans.
5. Design and implement a formal management training program.
6. Provide contemporary performance management and rewards.
7. Promote regular communications between executive, managers and staff to build stronger relationships and help people to get involved.

Performance Measures and Results

GOAL 4	Results			Targets			
Performance Measure	**02/03**	**03/04**	**04/05**	**04/05**	**05/06**	**06/07**	**07/08**
Employee engagement and commitment survey satisfaction	N/A	N/A	72%	Establish baseline	80% satisfaction	Survey	85% satisfaction
Improve capability and capacity of management	N/A	Competency matrix developed	Competencies and baseline developed	Develop key competencies for target positions and baseline	Develop key competencies for target positions and measure growth		
Participation rate for Employee Performance and Development programs	N/A	N/A	In excess of 95%	95%	100%	100%	100%

Variance Discussion: There are no significant variances in the performance measures. More information on the Employee Engagement Survey can be found in the "Looking Forward", our Strategic HR Plan available at http://lwbc.bc.ca/05media/reports/index.html.

Data Source: *Employee Engagement Survey, Strategic Human Resource Branch*

APPENDIX 2

Organizational Chart

Organizational Chart

Effective Date April 1, 2005

LAND AND WATER BRITISH COLUMBIA INC.

Management - Directors to CEO

Temporary Assignment
Temporary Position

President and Chief Executive Officer
Valentine, Bill
FTEs 3

Vice President Land and Water Operations Division
Yardley, Jim

- Service Centre Director (Vancouver Island) — Lambert, Mike
- Service Centre Director (Lower Mainland) — MacKnight, Heather
- Service Centre Director (Southern Interior) — Carr, Steve
- Service Centre Director (Northern) — McGregor, Jim

FTEs

VP Office	4
Surrey	40
Nanaimo	38
Kamloops	45
Cranbrook	15
Prince George	35
Smithers	11
Williams Lake	13
Fort St John	17
Total	218

Executive Director Business Programs and Policy Division
Thompson, Glen (TA)

- Director, Aboriginal Relations — Lutes, Dave (TA)
- Director, Policy & Economic Development — Trotter, Ward
- Director, Water Management — Davidson, Glen
- Director, Water Use Planning and Utilities — Bekker, Pieter

FTEs

Director	4
Policy Branch	11
Water Mgt Branch	12
Water Use Planning	7
Total	34

Vice President Strategic Initiatives Division
Carter, Michael

- Director, Major Projects — Walters, Peter
- Director, Major Projects — Weniger, Randy
- Director, Key Sectors - Energy — Baners, Neil
- Director, Key Sectors Tourism — Willow, John

FTEs 17

Executive Director Corporate Services Division
Tomlinson, Morlene

- Director, Strategic HR — Turner, Kim
- Controller — Jones, Vernon
- Director, Planning & Analysis — Bui, Tuan
- Director, Information Services — Rossander, Denise
- Director, Communications — Vacant

FTEs 38

Executive Director All Seasons Resorts Division
Irwin, Bill
FTEs 10

Executive Director & Comp. of Water Rights
Mattison, Jim (TA)
FTEs 3

Effective Date April 1, 2005

LAND AND WATER BRITISH COLUMBIA INC.

Management - Directors to CEO